# GoTyme Bank Corporation

**Financial Statements**
**As at and for the years ended December 31, 2024 and 2023**

# Independent Auditor's Report

To the Board of Directors and Shareholders of
**GoTyme Bank Corporation**
21st Floor Unit 3 and 4, work.able Giga Tower, Bridgetowne
80 Eulogio Rodriguez Jr. Avenue, Brgy. Ugong Norte, Quezon City
Philippines

***Report on the Audits of the Financial Statements***

## Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GoTyme Bank Corporation (the "Bank") as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

*What we have audited*

The financial statements of the Bank comprise:

- the statements of financial position as at December 31, 2024 and 2023;
- the statements of total comprehensive income for the years ended December 31, 2024 and 2023;
- the statements of changes in capital funds for the years ended December 31, 2024 and 2023;
- the statements of cash flows for the years ended December 31, 2024 and 2023;
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

## Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Report on Other Legal and Regulatory Requirements***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2024 required by the Bangko Sentral ng Pilipinas under Circular No. 1074 and Bureau of Internal Revenue under Revenue Regulations No. 15-2010 as disclosed in Notes 21 and 22, respectively, to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Isla Lipana & Co.**

Vergel E. Pabillon, Jr.
Partner
CPA Cert. No. 0119924
P.T.R. No. 0032861; issued on January 4, 2025, Makati City
T.I.N. 306-301-484
BIR A.N. 08-000745-240-2023; issued on January 30, 2023; effective until January 29, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
March 11, 2025

**GoTyme Bank Corporation**

Statements of Financial Position
As at December 31, 2024 and 2023
(All amounts in Philippine Peso)

| | Notes | 2024 | 2023 |
|---|---|---|---|
| **Assets** | | | |
| Due from other banks | 2 | 1,766,236,027 | 2,008,551,708 |
| Due from Bangko Sentral ng Pilipinas (BSP) | 2 | 5,978,992,009 | 1,244,980,327 |
| Securities purchased under agreements to resell | 2,3 | 2,455,471,331 | 1,334,021,895 |
| Investments at amortized cost | 4 | 10,403,280,085 | 8,087,035,621 |
| Financial assets at fair value through other comprehensive income | 4 | 3,203,532,135 | 1,207,863,897 |
| Loans receivables, net | 5 | 2,499,821,837 | 1,106,807 |
| Bank premises, furniture, fixtures and equipment, net | 6 | 358,913,262 | 370,386,316 |
| Intangible assets, net | 7 | 310,152,837 | 375,116,066 |
| Due from settlement partners | 8 | 2,016,654,861 | 1,580,971,351 |
| Deferred tax asset, net | 16 | 42,421,758 | 18,615,253 |
| Other assets | 8 | 928,612,636 | 552,188,197 |
| **Total assets** | | 29,964,088,778 | 16,780,837,438 |
| **Liabilities and Capital Funds** | | | |
| **Liabilities** | | | |
| Deposit liabilities | 9 | 25,434,642,472 | 10,781,527,831 |
| Accrued interest, taxes, and other expenses | 10 | 86,676,364 | 48,213,776 |
| Lease liabilities | 11 | 64,786,583 | 86,941,220 |
| Deposit for future stock subscription | 13 | - | 891,527,006 |
| Due to settlement partners | 12 | 2,207,846,633 | 1,370,424,560 |
| Accounts payable | 12 | 412,009,917 | 2,059,822,459 |
| Other liabilities | 12 | 93,297,552 | 37,741,782 |
| Total liabilities | | 28,299,259,521 | 15,276,198,634 |
| **Capital funds** | | | |
| Share capital | 13 | 6,639,732,189 | 5,000,000,000 |
| Additional paid-in capital | 13 | 1,877,630,366 | - |
| Share-based compensation reserve | 13 | 183,167,357 | 93,916,803 |
| Other comprehensive income | 4 | 10,110,244 | 14,591,842 |
| Deficit | | (7,045,810,899) | (3,603,869,841) |
| Total capital funds | | 1,664,829,257 | 1,504,638,804 |
| **Total liabilities and capital funds** | | 29,964,088,778 | 16,780,837,438 |

The notes on pages 1 to 46 are an integral part of these financial statements.

**GoTyme Bank Corporation**

Statements of Total Comprehensive Income
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

| | Notes | 2024 | 2023 |
|---|---|---|---|
| **Interest income** | | | |
| On investment securities | 4 | 693,749,407 | 97,030,742 |
| On loans receivables | 5 | 339,708,915 | 21,262 |
| On deposits with BSP and other banks | 2,3 | 289,874,651 | 170,740,797 |
| | | 1,323,332,973 | 267,792,801 |
| **Interest expense** | | | |
| On deposit liabilities | 9 | 603,885,011 | 166,975,769 |
| **Net interest income** | | 719,447,962 | 100,817,032 |
| Provision for credit and impairment losses | 5 | 101,574,740 | 108,747 |
| **Net interest income after provision** | | 617,873,222 | 100,708,285 |
| **Other income** | | | |
| Fees and commissions | 14 | 483,915,142 | 102,032,198 |
| Foreign exchange gains, net | 18.1 | 79,135,956 | 11,470,544 |
| Miscellaneous income | | 1,355,675 | 17,113,921 |
| | | 564,406,773 | 130,616,663 |
| **Operating expenses** | | | |
| Technology costs | 15 | 1,361,033,773 | 949,519,240 |
| Management and other professional fees | 15 | 748,112,457 | 416,706,467 |
| Fees and commissions | 15 | 610,007,399 | 161,430,445 |
| Compensation and benefits | 15 | 567,256,188 | 425,832,030 |
| Marketing expenses | | 301,586,676 | 266,398,271 |
| Occupancy and equipment-related expenses | 6,7,11 | 173,501,980 | 143,714,729 |
| Permits, taxes and licenses | | 114,780,062 | 25,890,382 |
| Other administrative expenses | 15 | 573,286,645 | 283,252,614 |
| Total operating expenses | | 4,449,565,180 | 2,672,744,178 |
| **Loss before income tax** | | (3,267,285,185) | (2,441,419,230) |
| Provision for income tax | 16 | 174,655,873 | 30,262,920 |
| **Net loss for the year** | | (3,441,941,058) | (2,471,682,150) |
| **Other comprehensive loss** | | | |
| Item that will be subsequently reclassified to profit or loss | | | |
| Net change in the fair value of financial assets at FVOCI, net of tax | 4 | (4,481,598) | 14,591,842 |
| **Total comprehensive loss for the year** | | (3,446,422,656) | (2,457,090,308) |

The notes on pages 1 to 46 are an integral part of these financial statements.

**GoTyme Bank Corporation**

Statements of Changes in Capital Funds
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

| | Share capital (Note 13) | Additional Paid-in Capital (Note 13) | Share-based compensation reserve (Note 13) | Other comprehensive income (Note 4) | Deficit | Total |
|---|---|---|---|---|---|---|
| **Balances, January 1, 2023** | 2,783,191,003 | - | 15,633,317 | - | (1,110,019,601) | 1,688,804,719 |
| **Comprehensive loss (income)** | | | | | | |
| Net loss for the year | - | - | - | - | (2,471,682,150) | (2,471,682,150) |
| Other comprehensive income | - | - | - | 14,591,842 | - | 14,591,842 |
| Total comprehensive loss | - | - | - | 14,591,842 | (2,471,682,150) | (2,457,090,308) |
| **Transactions with owners** | | | | | | |
| Share issuance | 2,216,808,997 | - | - | - | - | 2,216,808,997 |
| Share issuance cost | - | - | - | - | (22,168,090) | (22,168,090) |
| Share-based compensation | - | - | 78,283,486 | - | - | 78,283,486 |
| **Balances, December 31, 2023** | 5,000,000,000 | - | 93,916,803 | 14,591,842 | (3,603,869,841) | 1,504,638,804 |
| **Comprehensive loss** | | | | | | |
| Net loss for the year | - | - | - | - | (3,441,941,058) | (3,441,941,058) |
| Other comprehensive loss | - | - | - | (4,481,598) | - | (4,481,598) |
| Total comprehensive loss | - | - | - | (4,481,598) | (3,441,941,058) | (3,446,422,656) |
| **Transactions with owners** | | | | | | |
| Share issuance | 1,639,732,189 | 1,901,300,758 | - | - | - | 3,541,032,947 |
| Share issuance cost | - | (23,670,392) | - | - | - | (23,670,392) |
| Share-based compensation | - | - | 89,250,554 | - | - | 89,250,554 |
| **Balances, December 31, 2024** | 6,639,732,189 | 1,877,630,366 | 183,167,357 | 10,110,244 | (7,045,810,899) | 1,664,829,257 |

The notes on pages 1 to 46 are an integral part of these financial statements.

**GoTyme Bank Corporation**

Statements of Cash Flows
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

| | Notes | 2024 | 2023 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before income tax | | (3,267,285,185) | (2,441,419,230) |
| Adjustments for: | | | |
| Interest expense on deposit liabilities | 9 | 603,885,011 | 166,975,769 |
| Interest paid | | (581,841,672) | (137,245,871) |
| Depreciation and amortization | 6,7 | 169,215,291 | 138,335,281 |
| Provision for credit losses | 5 | 101,574,740 | 108,747 |
| Share-based compensation expense | 13,15 | 89,250,554 | 78,283,486 |
| Provision for retirement expense | 15 | 5,299,689 | 5,978,402 |
| Interest expense on lease liability | 11 | 4,286,689 | 5,379,448 |
| Unrealized foreign exchange losses, net | 18.1 | (2,834,432) | 4,709,586 |
| Interest income | 2,3,4,5 | (1,323,332,973) | (267,792,801) |
| Interest received | | 844,078,663 | 195,806,421 |
| Operating loss before changes in operating assets and liabilities | | (3,357,703,625) | (2,250,880,762) |
| (Increase) decrease in: | | | |
| Loans receivable | | (2,600,289,770) | (1,215,554) |
| Due from settlement partners | | (435,697,551) | (1,618,277,741) |
| Other assets | | (215,183,269) | (258,167,596) |
| Increase (decrease) in: | | | |
| Deposit liabilities | | 14,652,417,089 | 10,596,989,853 |
| Due to Settlement Partners | | 837,422,073 | - |
| Other liabilities | | 50,256,080 | 22,677,513 |
| Accrued interest, taxes, and other expenses | | 16,419,249 | (28,413,477) |
| Accounts payable | | 244,977,104 | 1,394,136,393 |
| Net cash from operations | | 9,192,617,380 | 7,856,848,629 |
| Payments of interest portion of lease liability | 11 | (4,286,689) | (5,379,448) |
| Income taxes paid | | (196,968,512) | (53,742,120) |
| Net cash from operating activities | | 8,991,362,179 | 7,797,727,061 |
| **Cash flows from investing activities** | | | |
| Acquisition of bank premises, furniture, fixtures and equipment | 6 | (87,222,477) | (223,264,937) |
| Development of intangible assets | 7 | (5,600,000) | (1,222,519) |
| Placements in investment securities at amortized cost and financial assets at FVOCI | 4 | (83,681,653,960) | (13,967,545,079) |
| Proceeds from maturities of investments at amortized cost | 4 | 77,922,091,000 | 6,685,000,000 |
| Proceeds from disposal of bank premises, furniture, fixtures and equipment | 6 | 51,666 | 264,609 |
| Net cash used in investing activities | | (5,852,333,771) | (7,506,767,926) |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of shares | 13 | 2,649,505,941 | 2,216,808,997 |
| Proceeds from deposit for future stock subscription | 13 | - | 891,527,006 |
| Settlement of stock issuance costs | 13 | (23,670,392) | (22,168,090) |
| Payments of principal portion of lease liability | 11 | (22,154,637) | (16,316,604) |
| Net cash from financing activities | | 2,603,680,912 | 3,069,851,309 |
| **Net increase in cash and cash equivalents** | | 5,742,709,320 | 3,360,810,444 |
| Cash and cash equivalents at January 1 | | 4,587,553,930 | 1,152,541,299 |
| Effects of exchange rate changes on cash and cash equivalents | | (129,563,883) | 74,202,187 |
| **Cash and cash equivalents at December 31** | 2 | **10,200,699,367** | 4,587,553,930 |

The notes on pages 1 to 46 are an integral part of these financial statements.

**GoTyme Bank Corporation**

Notes to the Financial Statements
As at and for the years ended December 31, 2024 and 2023
(All amounts are shown in Philippine Peso, unless otherwise stated)

## 1 General information

On December 28, 2021, GoTyme Bank Corporation (the "Bank") was incorporated and registered with the Philippines Securities and Exchange Commission (SEC) primarily to engage in, and carry on, the business of a digital bank, to grant loans both secured and unsecured, accept savings and time deposits, invest in marketable securities, to act as correspondent for other financial institutions, to act as collection agent for non-government entities, to issue electronic money products and credit cards, to buy and sell foreign exchange, to present, market, sell and service microinsurance products, to present, market, and sell a range of third party products through its platform.

On July 29, 2022, the Bank obtained from the Bangko Sentral ng Pilipinas (BSP) the certificate of authority to operate as a bank with a digital banking license in the Philippines.

On August 1, 2022, the Bank commenced its commercial operations.

On February 22, 2024, the Bank received notification from the BSP granting it the Foreign Currency Deposit Unit (FCDU) Operation License enabling the Bank to accept foreign currency deposits.

The Bank's ownership as at December 31, 2024 is structured as follows:

- 39.86% held by Tyme Global Limited pending transfer to Tyme Investment Pte Ltd. The BSP approved the transfer of shares on July 5, 2024; pending issuance of the E-Certificate of Registration by the Bureau of Internal Revenue (BIR).
- 11.33% held by Bank of the Philippine Islands pending transfer to GoTyme Financial Pte. Ltd. (11.21%) and Giga Investments (0.12%). On March 21, 2024, BPI divested all shares acquired from its merger with Robinsons Bank Corporation. The transfer from BPI to GoTyme Financial Pte. Ltd., which exceeded 10% of the total outstanding shares of the Bank, was approved by the BSP on October 9, 2024; pending issuance of the E-Certificate of Registration by the BIR.
- 19.00% held by Robinsons Retail Holdings Inc.
- 16.91% held by Robinsons Land Corporation.
- 7.41% held by GoTyme Financial Pte. Ltd.
- Remaining shares are owned by various stakeholders.

The Bank's registered office address is at 21st Floor Units 3 and 4, work.able Giga Tower, Bridgetowne, 80 Eulogio Rodriguez Jr. Avenue, Brgy. Ugong Norte, Quezon City, Philippines, 1110.

As at December 31, 2024, the Bank has 364 employees (2023 - 228 employees).

*Approval and authorization for issuance of the audited financial statements*

The Bank's financial statements have been approved and authorized for issuance by the Board of Directors (BOD) on March 11, 2025.

## 2 Cash and cash equivalents

The account as at December 31 consists of:

| | Note | 2024 | 2023 |
|---|---|---|---|
| Due from other banks | | 1,766,236,027 | 2,008,551,708 |
| Due from BSP | | 5,978,992,009 | 1,244,980,327 |
| Securities purchased under agreements to resell | 3 | 2,455,471,331 | 1,334,021,895 |
| | | 10,200,699,367 | 4,587,553,930 |

Due from other banks pertain to current, savings and time deposit accounts with various bank counterparties which have annual interest rates ranging from 0.000% to 5.000% for the years ended December 31, 2024 and 2023.

Interest income from due from other banks for the year ended December 31, 2024 amounts to P3,697,509 (2023 - P496,998).

Due from BSP represents the balance of the deposit and settlement accounts maintained with the BSP for reserve requirements, clearing transactions and settlement of interbank transactions. This also consists of the overnight and term deposit placements with the BSP with annual interest rates ranging from 5.2500% to 6.6775% (2023 - 5.000% to 6.7225%).

Interest income on due from BSP for the year ended December 31, 2024 amounts to P185,700,212 (2023 - P141,559,422).

## 3 Securities purchased under agreements to resell (SPAR)

The account as at December 31, 2024 consists of reverse repurchase agreement (RRPs) with the BSP amounting to P2,455,471,331 (2023 - P1,334,021,895).

All SPAR are maturing within 90 days from the date of acquisition and are classified as cash equivalents in the statement of cash flows (Note 2).

Government bonds are pledged by the BSP as collateral under reverse repurchase agreements. The aggregate face value of securities pledged approximates the total balance of outstanding placements as at reporting date.

The range of average interest rates of SPAR for the year ended December 31, 2024 is from 5.720% to 6.510% (2023 - 5.500% to 6.400%).

Interest income from SPAR for the year ended December 31, 2024 amounts to P100,476,930 (2023 - P28,684,377).

## 4 Investments at amortized cost; Financial assets at fair value through other comprehensive income (FVOCI)

*Investments at amortized cost*

The account as at December 31, 2024 consists of BSP bills amounting to P10,403,280,085 (2023 - P8,087,035,621).

Movements in the investments at amortized cost are as follows:

| | 2024 | 2023 |
|---|---|---|
| Balance at the beginning of the year | 8,087,035,621 | 50,039,652 |
| Purchases | 79,789,560,339 | 14,669,586,890 |
| Maturities | (77,922,091,000) | (6,685,000,000) |
| Amortization of discount/premium, net | 449,852,196 | 52,409,079 |
| Foreign exchange differences | (1,077,071) | - |
| Balance at the end of the year | 10,403,280,085 | 8,087,035,621 |

The effective interest rate of investments at amortized cost for the year ended December 31, 2024 range from 4.100% to 6.895% (2023 - 6.790% to 6.960%). Interest income for the year ended December 31, 2024 amounts to P562,034,832 (2023 - P65,758,423).

Investments at amortized cost are classified as current assets and are expected to be realized within 12 months from the reporting date.

*Financial assets at FVOCI*

The account as at December 31, 2024 consists of treasury notes and government bonds amounting to P3,203,532,135 (2023 - P1,207,863,897).

Movements in the financial assets at FVOCI are as follows:

| | 2024 | 2023 |
|---|---|---|
| Balance at the beginning of the year | 1,207,863,897 | - |
| Additions | 2,001,643,702 | 1,188,408,108 |
| Changes in fair value | (5,975,464) | 19,455,789 |
| Balance at the end of the year | 3,203,532,135 | 1,207,863,897 |

The movements in net unrealized gain on investments in other comprehensive income are as follows:

| | | 2024 | 2023 |
|---|---|---|---|
| Balance at the beginning of the year | | 14,591,842 | - |
| Changes in fair value recognized in equity | | (5,975,464) | 19,455,789 |
| Deferred tax | 16 | 1,493,866 | (4,863,947) |
| Balance at the end of the year | | 10,110,244 | 14,591,842 |

The effective interest rate of investments in FVOCI range from 4.000% to 8.000% (2023 - 6.125% to 7.000%) Interest income earned from these investments amounted to P131,714,575 (2023 - P31,272,319).

Financial assets at FVOCI are classified as non-current assets and expected to be realized within three (3) to seven (7) years from the reporting date.

## 5 Loans receivables, net

The account as at December 31 consists of:

| | 2024 | 2023 |
|---|---|---|
| Loans receivables | 2,601,505,324 | 1,215,554 |
| Allowance for impairment | (101,683,487) | (108,747) |
| | 2,499,821,837 | 1,106,807 |

The Bank's loans receivables mainly comprise of purchased salary loans receivable from a related party (Note 17).

As at December 31, 2024 and 2023, the Bank's loans receivables are unsecured. None of these loans are pledged as collateral for liabilities.

Loans receivables, gross of allowance for impairment, are unsecured and are expected to be realized as follows:

| | 2024 | 2023 |
|---|---|---|
| Current | 1,259,560,665 | 1,215,554 |
| Non-current | 1,341,944,659 | - |
| | 2,601,505,324 | 1,215,554 |

The movement of the Bank's allowance for impairment follows:

| | 2024 | 2023 |
|---|---|---|
| January 1 | 108,747 | - |
| Provision for credit and impairment losses | 101,574,740 | 108,747 |
| December 31 | 101,683,487 | 108,747 |

Interest income for the year ended December 31, 2024 amounts to P339,708,915 (2023 - P21,262). The average interest yield on the loan portfolio is 26.10% (2023 - 20.99%).

## 6 Bank premises, furniture, fixtures and equipment, net

The details of and movements in the account are summarized below:

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Bank premises (Note 11) | Furniture and Office equipment | IT Equipment | Kiosk | Total |
| Cost | | | | | |
| January 1 | 115,059,344 | 964,772 | 24,464,305 | 311,417,494 | 451,905,915 |
| Additions | - | 791,303 | 10,313,071 | 76,118,103 | 87,222,477 |
| Disposals | - | - | (639,593) | - | (639,593) |
| December 31 | 115,059,344 | 1,756,075 | 34,137,783 | 387,535,597 | 538,488,799 |
| Accumulated depreciation | | | | | |
| January 1 | 30,179,501 | 354,771 | 8,942,716 | 42,042,611 | 81,519,599 |
| Depreciation and amortization | 22,634,625 | 556,034 | 8,525,848 | 66,935,555 | 98,652,062 |
| Disposals | - | - | (596,124) | - | (596,124) |
| December 31 | 52,814,126 | 910,805 | 16,872,440 | 108,978,166 | 179,575,537 |
| Net book value, December 31 | 62,245,218 | 845,270 | 17,265,343 | 278,557,431 | 358,913,262 |

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Bank premises (Note 11) | Furniture and Office equipment | IT Equipment | Kiosk | Total |
| Cost | | | | | |
| January 1 | 115,059,344 | 590,077 | 16,075,681 | 97,241,406 | 228,966,508 |
| Additions | - | 374,695 | 8,714,154 | 214,176,088 | 223,264,937 |
| Disposals | - | - | (325,530) | - | (325,530) |
| December 31 | 115,059,344 | 964,772 | 24,464,305 | 311,417,494 | 451,905,915 |
| Accumulated depreciation | | | | | |
| January 1 | 7,544,876 | 74,813 | 2,861,834 | 2,625,699 | 13,107,222 |
| Depreciation and amortization | 22,634,625 | 279,958 | 6,158,305 | 39,416,912 | 68,489,800 |
| Disposals | - | - | (77,423) | - | (77,423) |
| December 31 | 30,179,501 | 354,771 | 8,942,716 | 42,042,611 | 81,519,599 |
| Net book value, December 31 | 84,879,843 | 610,001 | 15,521,589 | 269,374,883 | 370,386,316 |

Depreciation and amortization charges are included in "Occupancy and equipment-related expenses" category in the statement of total comprehensive income.

In 2024, the Bank disposed of IT equipment for P51,666 (2023 - P264,609) resulting in a gain of P8,197 (2023 - P16,502).

*Critical accounting estimate - Useful lives of bank premises, furniture, fixtures and equipment*

The Bank determines the estimated useful lives of its bank premises, furniture, fixtures and equipment based on the period over which the assets are expected to be available for use. The Bank annually reviews the estimated useful lives of bank premises, furniture, fixtures and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The Bank considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the carrying values of bank premises, furniture, fixtures and equipment.

## 7 Intangible assets, net

Movement in the account for the years ended December 31 follows:

| | 2024 | 2023 |
|---|---|---|
| Opening net carrying value | 375,116,066 | 443,739,028 |
| Additions | 5,600,000 | 1,222,519 |
| Amortization | (70,563,229) | (69,845,481) |
| Closing net carrying value | 310,152,837 | 375,116,066 |

Intangible assets pertains to the development costs of the Bank’s core banking and Enterprise Resource Planning (ERP) systems which include the Bank’s general ledger and regulatory reporting systems. These are classified as non-current.

Accumulated amortization as at December 31, 2024 amounts to P169,482,282 (2023 - P98,919,053).

Amortization charges are included in “Occupancy and equipment-related expenses” category in the statement of total comprehensive income.

*Critical accounting estimate - Useful lives of intangible assets*

The Bank determines the estimated useful lives of its intangible assets based on the period over which the assets are expected to be available for use. The Bank annually reviews the estimated useful lives of intangible assets based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

If the actual useful lives of the intangible assets will differ by +/-10% from management's estimates, the carrying amount as at December 31, 2024 would be an estimated P15,407,480 higher or P18,831,365 lower (2023 - P8,992,641 higher or P10,991,006 lower).

## 8 Due from settlement partners; Other assets

*Due from settlement partners*

Due from settlement partners represents receivables from the daily operational transactions of the Bank with its settlement partners. These include deposits via the Bank's cash agents, interbank transfers, bills payments and other payment services that remain unsettled as of reporting date. The account as at December 31, 2024 amounts to P2,016,654,861 (2023 - P1,580,971,351).

Due from settlement partners are classified as current as these are settled daily, weekly or monthly basis.

*Other assets*

The account as at December 31 consists of:

| | 2024 | 2023 |
|---|---|---|
| Security deposits | 463,657,830 | 260,696,814 |
| Accounts receivable | 214,412,916 | 70,533,221 |
| Inventories | 97,245,371 | 91,747,650 |
| Prepaid fees | 90,982,104 | 53,991,297 |
| Accrued interest income | 49,487,549 | 20,085,436 |
| Advances to suppliers | 7,428,570 | 55,014,347 |
| Creditable withholding tax | 160,573 | 1,747 |
| Miscellaneous assets | 5,237,723 | 117,685 |
| | 928,612,636 | 552,188,197 |

Security deposits mostly pertain to non-interest earning deposits to cover future payables to settlement partners. This also includes the deposit made by the Bank in relation to its lease agreement (Note 11).

Accounts receivable primarily comprise outstanding rebates from the Bank's card issuer, in accordance with the terms outlined in the growth agreement partnership.

Inventories consist of unissued debit cards and kiosk spare parts.

Prepaid fees consist of subscription fees for the Bank's cloud services and license fees.

The following table shows the current and non-current classification of other assets as at December 31:

| | 2024 | 2023 |
|---|---|---|
| Current | 498,374,806 | 345,685,584 |
| Non-current | 430,237,830 | 206,502,613 |
| | 928,612,636 | 552,188,197 |

## 9 Deposit liabilities

The account as at December 31 consists of:

| | 2024 | 2023 |
|---|---|---|
| Peso savings account | 25,137,826,752 | 10,781,527,831 |
| USD time deposit account | 296,815,720 | - |
| | 25,434,642,472 | 10,781,527,831 |

Deposit liabilities, which all come from retail customers, carry interest rates ranging from 0.000% to 5.000% (2023 - 0.000% to 6.500%). The related accrued interest payable, presented under "Accrued interest, taxes, and other expenses", amounted to P55,787,608 (2023 - P29,927,487) as at December 31, 2024 (Note 10).

Interest expense on deposit liabilities for the year ended December 31, 2024 amounts to P603,885,011 (2023 - P166,975,769).

These deposits are classified as current liabilities and are expected to be settled within 12 months from reporting date.

*BSP reserve requirement*

The Bank should comply with a minimum reserve requirement on deposit and deposit substitute liabilities in local currency as required by the BSP.

In 2022, BSP Circular No. 1154 was issued mandating digital banks to have a reserve requirement of 8%. This was superseded by BSP Circular No. 1176 amending the level of reserve requirement to 6% effective end of June 2023. In 2024, BSP Circular No. 1201 was issued further amending the level of reserve requirement to 4% effective October 25, 2024.

As at December 31, 2024, the reserves (included in 'Due from BSP') amounted to P1,018,955,300 (2023 - P628,343,135). The Bank is in full compliance with the reserve requirement as at December 31, 2024 and 2023.

## 10 Accrued interest, taxes, and other expenses

The account as at December 31 consists of:

| | Note | 2024 | 2023 |
|---|---|---|---|
| Interest payable on deposit liabilities | 9 | 55,787,608 | 29,927,487 |
| Philippine Deposit Insurance Corporation insurance premium | | 22,755,021 | 8,691,286 |
| Outsourced fees | | - | 7,901,001 |
| BSP supervision fees | | 5,394,765 | 1,434,573 |
| Other administrative expenses | | 2,738,970 | 259,429 |
| | | 86,676,364 | 48,213,776 |

Other administrative expenses pertain to audit fee and employee related payables.

These are expected to be settled within 12 months from the reporting date.

## 11 Leases

The Bank has entered into a 61-month lease agreement with Robinsons Land Corporation, a shareholder, for its office space commencing August 30, 2023 up to September 29, 2027. In accordance with the terms of the lease agreement, the Bank paid P6,464,613 as security deposit which is refundable at the end of the lease term.

*(i) Amounts recognized in the statement of financial position*

The statement of financial position shows the following amounts relating to leases:

| | Note | 2024 | 2023 |
|---|---|---|---|
| *Right-of-use assets* | | | |
| Bank premises | 6 | 115,059,344 | 115,059,344 |
| Accumulated depreciation | 6 | (52,814,126) | (30,179,501) |
| | | 62,245,218 | 84,879,843 |
| *Lease liabilities* | | | |
| Current | | 24,256,361 | 22,154,637 |
| Non-current | | 40,530,222 | 64,786,583 |
| | | 64,786,583 | 86,941,220 |

There were no additions to the right-of-use assets in 2024 and 2023 (Note 6).

*(ii) Amounts recognized in the statement of total comprehensive income*

The statement of total comprehensive income for the years ended December 31 shows the following amounts relating to leases:

| | Note | 2024 | 2023 |
|---|---|---|---|
| Depreciation expense | 6 | 22,634,625 | 22,634,625 |
| Interest expense (included in “Occupancy and equipment related expenses”) | | 4,286,689 | 5,379,448 |
| Expense relating to leases of low-value assets | | 7,295,058 | 34,412 |
| | | 34,216,372 | 28,048,485 |

Rent expense charged against current operations (included in “Other administrative expenses”) amounted to P7,295,058 in 2024 (2023 - P34,412). Rent expense pertains to expenses from leases of low-value assets and rental of billboard spaces.

The total cash outflow for leases as at December 31, 2024 is P26,441,326 (2023 - P21,696,052).

*(iii) Discount rate*

The lease payments for lease of office space are discounted using the lessee’s incremental borrowing rate, being the rate that the Bank would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

*Critical accounting judgment - Determining the lease term*

In determining the lease term, the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

*Critical accounting estimate - Determining the incremental borrowing rate*

To determine the incremental borrowing rate, the Bank:
- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held which do not have recent third-party financing; and
- makes adjustments specific to the lease (e.g. term, currency and security).

The Bank's incremental borrowing rate applied to the lease liabilities is 5.5687%. The rate was determined in reference to PHP BVAL.

As at December 31, 2024, if the Bank's incremental borrowing rate increased/decreased by 1% while holding all other assumptions constant, the Bank's lease liabilities would be lower/higher by P816,250 and P831,005, respectively (2023 - P1,508,976 and P1,545,838, respectively), and profit before tax for the year ended December 31, 2024 would be higher/lower by P188,162 and P161,002, respectively (2023 - P318,380 and P335,711, respectively).

## 12 Due to settlement partners; Accounts payable; Other liabilities

*Due to settlement partners*

Due to settlement partners represents the daily operational transactions of the Bank with its settlement partners. These include withdrawals via the Bank's cash agents, interbank transfers and other payment services that remain unsettled as at reporting date. The account as at December 31, 2024 amounts to P2,207,846,633 (2023 - P1,370,424,560).

*Accounts payable*

The account as at December 31 consists of:

| | 2024 | 2023 |
|---|---|---|
| Suppliers payable | 412,009,917 | 169,372,540 |
| Securities awaiting settlement | - | 1,890,449,919 |
| | 412,009,917 | 2,059,822,459 |

Suppliers payable pertains to the outstanding liabilities to local and overseas suppliers for goods and services received by the Bank.

Securities awaiting settlement pertains to the purchased financial assets at amortized cost that are yet to be settled by the Bank as at reporting date. All securities purchased in 2024 are settled by the Bank as at reporting date.

These are expected to be settled within 12 months from the reporting date.

*Other liabilities*

The account as at December 31 consists of:

| | 2024 | 2023 |
|---|---|---|
| Withholding and other taxes payable | 73,308,231 | 27,858,417 |
| Retirement benefit liability | 13,561,745 | 8,262,057 |
| SSS, PHIC and HDMF premium payable | 2,756,622 | 1,552,227 |
| Miscellaneous liabilities | 3,670,954 | 69,081 |
| | 93,297,552 | 37,741,782 |

The Bank has a non-contributory defined benefit retirement plan which provides retirement benefit to qualified employees in accordance with Republic Act (RA) No. 7641. Retirement benefit liability consists of the present value of the obligation, which relates mainly to the retirement benefit expense computed as a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

The following table shows the current and non-current classification of other liabilities:

| | 2024 | 2023 |
|---|---|---|
| Current | 79,735,807 | 29,479,725 |
| Non-current | 13,561,745 | 8,262,057 |
| | 93,297,552 | 37,741,782 |

## 13 Capital funds

*Share capital*

Details of the authorized share capital as at December 31 follows:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Authorized share capital (at P1 par value per share) | 8,600,000,000 | 8,600,000,000 | 5,000,000,000 | 5,000,000,000 |
| Issued and outstanding common shares | 6,639,732,189 | 6,639,732,189 | 5,000,000,000 | 5,000,000,000 |

*Increase in share capital and capital infusion*

On September 26, 2023, the BOD approved an increase of the Bank's authorized share capital of 3,600,000,000 shares in the authorized capital stock with a par value of P1 per share.

On May 13, 2024, the Bank filed an application with the SEC for an increase in authorized capital stock as approved by the BOD. On July 5, 2024, BSP issued the Certificate of Authority to Register the Amended Articles of Incorporation, which included the increase in authorized capital stock.

The deposit for future stock subscriptions (DFFS) received by the Bank is as follows:

| | Amounts |
|---|---|
| Subscriptions in 2023 | 891,527,006 |
| Subscriptions in 2024 | 2,279,505,941 |
| | 3,171,032,947 |

On November 26, 2024, SEC issued the certificate of approval of the increase of authorized capital stock. Subsequently, the Bank reclassified the DFFS amounting to P3,171,032,947, of which P1,542,062,703 was recognized as share capital and the remaining P1,628,970,244 excess of par value as additional paid-in capital (APIC). This is a non-cash transaction.

In December 2024, the Bank received an additional capital contribution of P370,000,000, of which P97,669,486 was recognized as share capital and the P272,330,514 as APIC. The Bank likewise incurred stock issuance costs amounting to P23,670,392 (2023 - P22,168,090). Stock issuance cost is directly charged to APIC in 2024 and to deficit in capital in 2023.

*Share-based compensation reserve*

The BOD of the Bank approved to grant Restricted Stock Units (RSU) and Performance Share Units (PSU) to qualified beneficiaries up to the following amount for future distribution:

| Year | Approved RSU amount | Approved PSU amount |
|---|---|---|
| 2022 | 147,500,000 | - |
| 2023 | 3,000,000 | 44,100,000 |
| 2024 additions | 36,500,000 | 100,430,000 |

Movements in the number of units are summarized as follows:

| | 2024 | 2023 |
|---|---|---|
| At January 1 | 133,486,301 | 101,027,397 |
| Granted | 40,444,117 | 41,863,014 |
| Exercised | - | - |
| Cancelled | (11,602,095) | (9,404,110) |
| At December 31 | 162,328,323 | 133,486,301 |
| Exercisable | 30,348,174 | 7,157,534 |

Share-based compensation reserve represents the portion of the approved grant to qualified beneficiaries that has been accrued in accordance with the vesting schedule. As at December 31, 2024 and 2023, there were no share units exercised.

*(a) Restricted share units*

The movement in the share-based compensation reserve for the years ended December 31 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Beginning of the year | 71,804,468 | 15,633,317 |
| Share-based compensation expense | 31,442,116 | 56,171,151 |
| End of the year | 103,246,584 | 71,804,468 |

RSU vest in varying amounts between 2 years and 5 years, subject to capital protection conditions.

*(b) Performance share units*

The movement in the share-based compensation reserve for the years ended December 31 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Beginning of the year | 22,112,335 | - |
| Share-based compensation expense | 57,808,438 | 22,112,335 |
| End of the year | 79,920,773 | 22,112,335 |

PSU is issued as part of the overall rewards and recognition program of the Bank starting 2023. These shares vest equally over three 3 years, subject to certain performance conditions, as approved by the Board of Directors.

The award price for RSU and PSU is derived from the value of a share as at the award date, calculated with reference to the results of the most recently conducted company equity valuation preceding the award date. Valuation employed a model-based approach, using the latest plans and projections and observable inputs from the market, adjusted for risk factors inherent in the business. Further, the model was calibrated to ensure that output was reasonably in line with comparative market prices.

## 14 Fees and commissions

*Fees and commissions*

The account for the years ended December 31 consists of the following:

| | 2024 | 2023 |
|---|---|---|
| Transaction fees | 391,829,336 | 84,314,110 |
| Commissions fees | 87,268,406 | 17,457,888 |
| Miscellaneous | 4,817,400 | 260,200 |
| | 483,915,142 | 102,032,198 |

Transaction fees pertain to interchange and interbank transfer fees earned.

Commissions fees pertain to revenue share paid by the settlement partners.

Miscellaneous fees pertain to card replacements fees.

*Miscellaneous income*

In 2023, the Bank received incentives granted to the Bank from the Bank's card issuer, in accordance with the terms outlined in the growth agreement partnership amounting to P17,097,418. No incentives granted in 2024.

## 15 Operating expenses

*a) Technology costs*

Technology costs amounting to P1,361,033,773 (2023 - P949,519,240) consist mostly of platform and service charges billed by Tyme Pte. Ltd., to the Bank as part of the Master Service Agreement (Note 17). In addition, this also includes software license and subscriptions used by the Bank.

*b) Management and other professional fees*

Details of the account for the years ended December 31 are as follows:

| | 2024 | 2023 |
|---|---|---|
| Outsourcing fees | 566,768,773 | 282,750,147 |
| Consultant fees | 132,933,133 | 122,504,074 |
| Professional and legal fees | 48,410,551 | 11,452,246 |
| | 748,112,457 | 416,706,467 |

Outsourcing fees consist of kiosk ambassadors, secondment fees and recruitment services provided by third parties.

Consultant fees consist of in-house consultants and technology services rendered by third parties.

Professional and legal fees consist of audit, advisory and legal fees.

*c) Fees and commissions*

Details of the account for the years ended December 31:

| | 2024 | 2023 |
|---|---|---|
| Transaction fees | 548,317,141 | 152,705,344 |
| Commissions fees | 36,542,206 | 8,725,101 |
| Service fees | 25,148,052 | - |
| | 610,007,399 | 161,430,445 |

These fees represent service and commission payments to the Bank's settlement partners, card transaction fees remitted to card issuers, and other bank charges.

*d) Compensation and benefits*

Details of the account for the years ended December 31 are as follows:

| | Notes | 2024 | 2023 |
|---|---|---|---|
| Salaries and wages | | 436,609,483 | 318,549,480 |
| Share-based compensation | 13 | 89,250,554 | 78,283,486 |
| Other employee benefit expenses | | 18,735,872 | 11,246,196 |
| Social security costs and other contributions | | 14,780,590 | 8,894,466 |
| Retirement expense | | 5,299,689 | 5,978,402 |
| Directors' fees | 17 | 2,580,000 | 2,880,000 |
| | | 567,256,188 | 425,832,030 |

Other employee benefit expenses pertain to health benefits provided to the Bank's employees and its dependents.

The Bank did not incur any fringe benefits expense in 2024 and 2023.

*e) Other administrative expenses*

Details of the account for the years ended December 31 follow:

| | Note | 2024 | 2023 |
|---|---|---|---|
| Card issuance cost | | 247,719,127 | 161,116,620 |
| GoRewards points redemption | | 115,034,246 | 32,723,099 |
| Postage, telephone, cables and telegrams | | 108,174,761 | 30,483,126 |
| Insurance expenses | | 43,319,658 | 13,227,676 |
| Travelling cost | | 12,562,074 | 9,252,989 |
| Rent | 11 | 7,295,058 | 34,412 |
| Courier fees | | 6,538,599 | 6,297,346 |
| Supervision fees | | 5,189,652 | 1,070,839 |
| Other expenses | | 27,453,470 | 29,046,507 |
| | | 573,286,645 | 283,252,614 |

Card issuance cost pertains to the cost of debit cards issued to the depositors.

Travelling cost pertains to business expenses incurred by employees for off site visits.

Courier fees pertains to expenses incurred for the transport of kiosks from warehouse to store sites.

Other expenses mainly pertains to employee related training and seminars, representation and entertainment, fuels and lubricants, spare parts consumed, repairs and maintenance, stationaries and office sundries, utilities expenses, security, messenger and janitorial services and warehouse and storage fees.

## 16 Income taxes

Details of the accounts for the years ended December 31 follow:

| | 2024 | 2023 |
|---|---|---|
| Current - Final | 196,968,512 | 53,742,120 |
| Deferred | (22,312,639) | (23,479,200) |
| | 174,655,873 | 30,262,920 |

The following is the reconciliation of income taxes computed at the statutory income tax rate to income tax expense as shown in the statement of total comprehensive income for the years ended December 31:

| | 2024 | |
|---|---|---|
| | Amount | Rate (%) |
| Loss before income tax | (3,267,285,185) | |
| Applicable tax rate | 25% | |
| Statutory income tax | (816,821,296) | 25.00 |
| Adjustments for: | | |
| Income subject to lower tax rates | (48,720,560) | 1.49 |
| Non-deductible expenses | 76,296,050 | 0.00 |
| FCDU income before tax | 69,608 | (2.34) |
| Net operating loss carry-over (NOLCO) | 963,832,071 | (29.50) |
| Income tax expense | 174,655,873 | (5.35) |

| | 2023 | |
|---|---|---|
| | Amount | Rate (%) |
| Loss before income tax | (2,441,419,230) | |
| Applicable tax rate | 25% | |
| Statutory income tax | (610,354,808) | 25.00 |
| Adjustments for: | | |
| Income subject to lower tax rates | (13,451,815) | 0.55 |
| Non-deductible expenses | (8,363,082) | 0.34 |
| NOLCO | 662,432,625 | (27.13) |
| Income tax expense | 30,262,920 | (1.24) |

The Bank's deferred tax asset, net as at December 31 are as follows:

| | Note | 2024 | 2023 |
|---|---|---|---|
| Deferred tax asset | | | |
| Share-based compensation | | 45,791,839 | 23,479,200 |
| Deferred tax liability | | | |
| Fair value gain on financial assets at FVOCI | 4 | (3,370,081) | (4,863,947) |
| Deferred tax asset, net | | 42,421,758 | 18,615,253 |

Tax effect on the fair value gain on financial assets at FVOCI is recognized directly against other comprehensive income.

Deferred income tax assets on the Bank's temporary differences, retirement liability and NOLCO have not been recognized because management believes that it is not probable that sufficient taxable income will be available to allow all or part of these deferred income tax assets to be utilized, on top of the recognized deferred tax assets. The deferred income tax assets on temporary differences and retirement liability are not considered material to the financial statements.

Details of NOLCO at December 31 are as follows:

| Year of incurrence | Year of expiry | NOLCO | Deferred tax asset |
|---|---|---|---|
| 2024 | 2027 | 3,855,328,285 | 963,832,071 |
| 2023 | 2026 | 2,649,730,501 | 662,432,625 |
| 2022 | 2025 | 805,364,231 | 201,341,058 |
| | | 7,310,423,017 | 1,827,605,754 |

*Critical accounting judgment - Recognition of deferred tax assets*

The recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary difference can be applied. The Bank reviews at the end of each reporting period the carrying amounts of deferred tax assets. The carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax losses will be applied. The Bank believes that sufficient taxable profit will be generated to allow all of the recognized deferred income tax assets to be utilized.

## 17 Related party transactions

In the normal course of business, the Bank transacts with its major shareholders and other related entities. These transactions such as advances, technology and consultancy services are made in the normal operating activities and have terms and conditions that are generally comparable to those offered to non-related parties and to similar transactions in the market.

The table below summarizes the Bank's transactions with its related parties as at and for the years ended December 31:

| | 2024 | | | |
|---|---|---|---|---|
| | Transactions | Outstanding Balance | | Nature |
| Robinsons Retail Holdings, Inc. | | | | |
| Cash in transactions | 62,795,314,105 | 705,006,679 | - | Cash agency transactions and its corresponding security deposit. Refer to (d). |
| Cash out transactions | 8,861,115,986 | 33,709,193 | | |
| Security deposit | 2,000,000 | 93,357,000 | | |
| Fees and commissions | 117,093,641 | 12,531,813 | - | Service and commission fee expense for cash agency. Refer to (d). |
| Data Analytics Ventures Inc. | | | | |
| Points conversion | 139,336,763 | 81,531,741 | - | Points conversion and its corresponding commission income |
| Points purchased | 146,589,076 | 80,935,925 | - | Points purchased and its corresponding service fee expense |
| Marketing expenses | 2,599,776 | 2,599,776 | - | Precision marketing and cost. Refer to (b). |
| Fees and commissions | 16,583,085 | 16,583,085 | - | Success fee on onboarding subsidy. Refer to (b). |
| Robinsons Land Corporation | | | | |
| Security deposit | 50,000 | 6,479,613 | - | Security deposit on lease rental. Refer to (c). |
| Lease liability | 26,441,326 | 64,786,583 | - | Lease rental. Refer to (c). |
| Marketing and Other administrative expenses | 2,461,124 | - | - | Marketing cost and advertising cost and utilities. Refer to (c). |
| Tyme Pte Ltd. | | | | |
| Advances for Kiosks and spare parts | 28,897,735 | 5,877,899 | - | Advances for the purchase of Kiosks and spare parts. |
| Technology costs | 874,643,404 | 71,424,670 | - | IT solutions and support services. Refer to (a) |
| Consultant fees | 33,318,991 | 607,045 | - | Consultants fee. Refer to (a). |
| New Cross Credit and Financing Gate PH, Inc. | | | | |
| Loans purchased | 2,892,592,316 | 79,404,745 | - | Loan receivables purchased. Refer to (g). |
| Upfront fee | 233,768,653 | 3,540,820 | - | Origination fees. Refer to (g). |
| Collection service fee | 16,724,429 | - | - | SAVii as collection agen. Refer to (g). |
| Outsource fee | 1,564,488 | 660,071 | - | SAVii seconded employees. Refer to (g). |
| Management fee | 330,275 | 330,275 | - | GoTyme seconded employees. Refer to (g). |
| JG Summit Publishing Co. Inc. | | | | |
| Payables | 7,656,000 | 4,547,200 | - | Billboard lease rental; outsource fees. Refer to (e). |
| Aspen Business Solutions, Inc. | | | | |
| Payables | 178,768 | - | - | Payroll outsource services. |
| JG Summit Holdings, Inc. | | | | |
| Loans receivables | 1,056,728 | - | - | Loans receivables granted to related parties under Early Wage Access (EWA). |
| Universal Robina Corporation | | | | |
| Loans receivables | 472,343 | 217,729 | - | Loans receivables granted to related parties under EWA. |
| Maxicare Healthcare Corporation | | | | |
| Payables | 19,222,850 | 200,820 | - | HMO premium for Bank's employees and its qualified dependent. Refer to (f). |
| Directors | 2,580,000 | - | - | Directors fee |

| | 2023 | | |
|---|---|---|---|
| | Transactions | Outstanding Balance | Nature |
| Robinsons Retail Holdings, Inc. | | | |
| Cash in transactions | 25,513,937,758 | 616,736,570 | - Cash agency transactions and its corresponding security deposit. Refer to (d). |
| Cash out transactions | 2,510,901,645 | 17,687,982 | |
| Security deposit | 7,000,000 | 91,357,000 | |
| Fees and commissions | 44,842,655 | 7,197,602 | - Service and commission fee expense for cash agency. Refer to (d). |
| Data Analytics Ventures Inc. | | | |
| Points conversion | 42,033,988 | 6,188,027 | - Points conversion and its corresponding commission income |
| Points purchased | 57,376,491 | 7,579,123 | - Points purchased and its corresponding service fee expense |
| Marketing expenses | 7,994,391 | 2,954,391 | - Precision marketing and cost. Refer to (b). |
| Fees and commissions | 4,953,960 | 4,953,96 | - Success fee on onboarding subsidy. Refer to (b). |
| Robinsons Land Corporation | | | |
| Security deposit | 15,000 | 6,479,613 | - Security deposit on lease rental. Refer to (c). |
| Lease liability | (16,316,604) | 86,941,220 | - Lease rental. Refer to (c). |
| Marketing and Other administrative expenses | 5,409,026 | - | - Marketing and advertising cost and utilities. Refer to (c). |
| Bank of the Philippines Island | | | |
| Due from other banks | 38,010,655 | 75,056,636 | - Banks deposit maintained with interest range of 0.10% to 0.125%. Refer to (h). |
| Tyme Pte Ltd. | | | |
| Advances for Kiosks and spare parts | (52,790,968) | 50,068,273 | - Advances for the purchase of Kiosks and spare parts. |
| Technology costs | 693,663,602 | 59,362,203 | - IT solutions and support services. Refer to (a) |
| Consultant fees | (6,295,093) | | - Consultants fee. Refer to (a) |
| Summit Publishing Co. Inc. | | | |
| Payables | 27,091,091 | - | - Marketing and advertising services. Refer to (e).<br>- Billboard lease rental; outsource fees Refer to (e). |
| Aspen Business Solutions, Inc. | | | |
| Payables | 451,252 | - | - Payroll outsource services |
| Maxicare Healthcare Corporation | | | |
| Payables | 10,869,853 | - | - HMO premium for Bank's employees and its qualified dependent. Refer to (f). |
| Directors | 2,880,000 | 2,880,000 | - Directors fee |

*Key management personnel*

In 2024, the salaries, allowances and other benefits and share based and post-employment benefits of key management personnel amount to P143,662,950 (2023 - P105,066,554).

(a) The Bank entered into an agreement with Tyme Pte Ltd., an entity under common control, for the latter to (i) produce kiosks, (ii) develop the Bank’s core banking (iii) provide consultancy services (iv) provide information technology (IT) solutions and support services and (iv) other support services to the Bank. The advances for kiosk were recorded as part of Advances to suppliers under “Other assets”. The remaining unpaid amount for IT solutions and support services, and consultancy fees are recorded as part of Suppliers payable under “Accounts payable” and is payable in cash on demand at gross amount, non-interest bearing and unsecured.

(b) The Bank entered into a master collaboration agreement with Data Analytics Ventures Inc. (DAVI), an entity under common control, for the latter to provide GoRewards integration and support and precision marketing services. GoRewards integration provides registered customers the ability to earn bonus points when making purchase payments using the Bank’s services and the ability to redeem GoRewards points through the Bank’s platform. The remaining uncollected GoRewards points conversion and fee income and commission on onboarding are recorded as part of “Due from settlement partners”, unpaid Go Rewards points purchased and service fee recorded as part of “Due to settlement partners”. These are receivable/payable in cash on demand at gross amount, non-interest bearing and unsecured.

(c) In August 2022, the Bank entered into a lease agreement with Robinsons Land Corporation (Robinsons Land), a shareholder (Note 11). In relation to this, utilities expenses are paid by the latter on behalf of the Bank and is being charged as part of other expense under “Other administrative expenses”. The amount is payable in cash on demand at gross amount, non-interest bearing and unsecured.

    In 2023, as part of its strategic expansion initiative, the Bank entered into an agreement with Robinsons Land that entails leasing space in Robinsons Land malls and utilizing advertising services to enhance the Bank's promotional efforts (Note 11).

(d) The Bank entered into a master service agreement with Robinsons Retail Holdings, Inc. (RRHI), a shareholder, for the latter to provide cash agent services which allows to accept and disburse cash on behalf of the Bank, fund transfers, bills payment and other services it is allowed to perform on behalf of the Bank in accordance with the Manual of Regulations for Banks (MORB). The remaining uncollected cash in (acceptance) are recorded as part of “Due from settlement partners”, and unpaid cash out (disbursement) and unpaid service fee are recorded as part of “Due to settlement partners” charged as part of fees and commissions are receivable/payable in cash on demand at gross amount, non-interest bearing and unsecured.

    The Bank is also required to maintain a security deposit with RRHI (Note 8).

(e) The Bank entered into an agreement with JG Summit Publishing Co. Inc., an entity under common control, for the latter to provide various public relations placements, campaigns, media services, event coordination and billboard rentals. The remaining unpaid fee is recorded as part of Suppliers payable under “Accounts payable” charged under “Marketing expense” and rent expense under ”Other administrative expenses”.

(f) In 2023, the Bank also entered into an agreement with Maxicare Healthcare Corporation, an entity under common control, as the HMO provider for the Bank’s employees and its dependents.

(g) In July 2024, the Bank entered into an agreement to purchase salary loans, on a non-recourse basis, from New Cross Credit and Financing Gate PH, Inc. (SAVii), an entity under common control. These are payable in cash on demand, net of upfront fees, non-interest bearing and unsecured. The Bank purchased loans receivables amounting to P2,892,592,316, of which P2,440,041,868 remains outstanding as at December 31, 2024 (Note 5). The Bank incurred origination costs which are capitalized as part of “Loans receivables” and amortized over the term of the loan.

    The Bank also entered into a Master Service Agreement with SAVii to carry out lending and collection activities, which include: (a) collecting receivables and other obligations due to the Bank, (b) seconding employees to the Bank for lending operations, and (c) seconding employees to support SAVii’s Outsourced Collections Agencies.

    Unpaid collection service fees are recorded under "Due to settlement partners" and recognized as fees and commissions. Unpaid secondment fees payable to SAVii are recorded under "Accounts payable" and classified under "Management and other professional fees". Meanwhile, unpaid secondment fees due to the Bank are recorded as accounts receivable under "Other assets" and recognized under "Miscellaneous income".

(h) In April 2024, BPI sold all of the Bank’s shares acquired through its merger with Robinsons Bank Corporation to GoTyme Financial Pte. Ltd. and Giga Investment Holdings Pte. Ltd (Note 1). As a result of this divestment, BPI relinquished all shareholder rights and is no longer recognized as a related party.

## 18 Financial risk management

*Risk management framework*

The Bank uses the Enterprise Risk Management Framework (ERMF) to address all material risks inherent in the business. The framework covers all systems, policies, processes, and control procedures designed to identify, measure, monitor, mitigate and report risks on a continuing basis. The Bank ensures that the ERMF is reviewed periodically to address all material risks, including emerging risks and ensures compliance with the Manual of Regulations for Banks as mandated by the BSP.

The central element of the ERMF is the Risk Appetite Statement (RAS). The RAS is maintained and clearly articulates the nature and level of risk that the Bank is willing to take in pursuit of the business objectives. The risk appetite is managed and monitored closely together with the business units taking in consideration the regulatory requirements and expectations.

*Risk organization and governance*

The BOD operates as the highest level of the Bank’s risk governance. The BOD is ultimately responsible for establishing and approving the risk framework and overseeing the efficient implementation of policies & procedures to manage all material risks. The BOD is also responsible for determining optimal governance structures for the Bank, including the relevant Board sub-committees to be delegated with functional activities for overseeing risks and compliance activities in the Bank.

To support the BOD to discharge its responsibilities, five sub-committees have been established in the governance framework. The Board Risk and Compliance Oversight Committee oversees risk management framework, adherence to risk appetite and management of compliance activities. The Board Audit Committee oversees the financial reporting framework, internal audit, and the internal control framework. The Board Corporate Governance Committee oversees board matters, nomination of officers and remuneration framework. The Board Related Party Transaction Committee oversees management of related party relationships, transactions, and contracts. The Board IT and Data Steering Committee oversees all matters relating to data strategy and IT strategy including issues arising from the bank’s use of data and IT assets.

Further, management committees are established to provide oversight and governance of material risks and act as decision making forums on operational matters arising from the implementation of Board-approved policies. The Enterprise Risk Management Committee is responsible for the ongoing oversight and review of all risk exposures across all categories and ensure risks are managed within appetite. The Financial Risk Committee is responsible for oversight and management of all financial risks with specific focus on credit risk, funding and liquidity risk and capital management. On the other hand, the Non-Financial Risk Committee is responsible for oversight and management of Operational Risks, IT Risks, and other nonfinancial risks such as Fraud Risks, Third Party Related Risks, and Business Continuity Risks.

The Bank adopts the three lines of defense model of accountability in managing risks. The first line lies within Business Units who are the risk owners and are responsible and accountable for identification, assessment, and management of all risks inherent in the business operations. The second line is Risk and Compliance who provides risk oversight by setting the risk standards and at the same time advise risk owners on key matters relating to optimizing risk taking and control implementation. The third line is the independent Internal Audit team that provides assurance to the Board and Senior Leadership on the adequacy and effectiveness of the Bank’s governance and risk management.

### 18.1 Market risk

Market risk is the risk due to adverse impact on profitability or net worth of the Bank due to changes in market rates or prices such as interest rates and foreign exchange rates.

*Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial assets and liabilities will fluctuate because of changes in market interest rates.

The table below summarizes the Bank's exposure to interest rate risk, categorized by the earlier of contractual repricing or maturity dates.

| | Repricing | | | | |
|---|---|---|---|---|---|
| | Up to 1 year | Over 1 up to 3 years | Over 3years | Non-repricing | Total |
| As at December 31, 2024 | | | | | |
| Financial Assets | | | | | |
| Due from other banks | - | - | - | 1,766,236,027 | 1,766,236,027 |
| Due from BSP | - | - | - | 5,978,992,009 | 5,978,992,009 |
| Securities purchased under agreements to resell | - | - | - | 2,455,471,331 | 2,455,471,331 |
| Investment securities at amortized cost | - | - | - | 10,403,280,085 | 10,403,280,085 |
| Financial assets at FVOCI | - | - | - | 3,203,532,135 | 3,203,532,135 |
| Loans receivables, net | - | - | - | 2,499,821,837 | 2,499,821,837 |
| Due from settlement partners | - | - | - | 2,016,654,861 | 2,016,654,861 |
| Other financial assets* | - | - | - | 727,558,295 | 727,558,295 |
| Total financial assets | - | - | - | 29,051,546,580 | 29,051,546,580 |
| Financial Liabilities | | | | | |
| Deposit liabilities | 25,434,642,472 | - | - | - | 25,434,642,472 |
| Accrued interest and other expenses** | - | - | - | 58,526,578 | 58,526,578 |
| Lease liabilities | - | - | - | 64,786,583 | 64,786,583 |
| Due to settlement partners | - | - | - | 2,207,846,633 | 2,207,846,633 |
| Accounts payable | - | - | - | 412,009,917 | 412,009,917 |
| Other liabilities*** | - | - | - | 1,000,000 | 1,000,000 |
| Total financial liabilities | 25,434,642,472 | - | - | 2,744,169,711 | 28,178,812,183 |
| Total interest gap | (25,434,642,472) | - | - | 26,307,376,869 | 872,734,397 |

**Other financial assets are composed of security deposits, accounts receivable and accrued interest income*
***Excludes payable to government agencies*
****Includes security deposit*

| | Repricing | | | | |
|---|---|---|---|---|---|
| | Up to 1 year | Over 1 up to 3 years | Over 3 years | Non-repricing | Total |
| As at December 31, 2023 | | | | | |
| Financial Assets | | | | | |
| Due from other banks | - | - | - | 2,008,551,708 | 2,008,551,708 |
| Due from BSP | - | - | - | 1,244,980,327 | 1,244,980,327 |
| Securities purchased under agreements to resell | - | - | - | 1,334,021,895 | 1,334,021,895 |
| Investment securities at amortized cost | - | - | - | 8,087,035,621 | 8,087,035,621 |
| Financial assets at FVOCI | - | - | - | 1,207,863,897 | 1,207,863,897 |
| Loans receivables, net | - | - | - | 1,106,807 | 1,106,807 |
| Due from settlement partners | - | - | - | 1,580,971,351 | 1,580,971,351 |
| Other financial assets* | - | - | - | 351,315,471 | 351,315,471 |
| Total financial assets | - | - | - | 15,815,847,077 | 15,815,847,077 |
| Financial Liabilities | | | | | |
| Deposit liabilities | 10,781,527,831 | - | - | - | 10,781,527,831 |
| Accrued interest and other expenses** | - | - | - | 38,087,917 | 38,087,917 |
| Lease liabilities | - | - | - | 86,941,220 | 86,941,220 |
| Due to settlement partners | | | | 1,370,424,560 | 1,370,424,560 |
| Accounts payable | - | - | - | 2,059,822,459 | 2,059,822,459 |
| Other liabilities | - | - | - | - | - |
| Total financial liabilities | 10,781,527,831 | - | - | 3,555,276,156 | 14,336,803,987 |
| Total interest gap | (10,781,527,831) | - | - | 12,260,570,921 | 1,479,043,090 |

**Other financial assets are composed of security deposits, accounts receivable and accrued interest income*
***Excludes payable to government agencies*

*Price risk*

Price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As at December 31, 2024 and 2023, the Bank has no financial instruments that are exposed to price risk.

*Foreign currency risk*

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Bank's foreign currency exchange risk exposure arises primarily from the following financial assets and liabilities denominated in US Dollar (USD), shown in their Peso equivalent as at December 31:

| | 2024 | 2023 |
|---|---|---|
| Financial assets | | |
| Due from other banks | 128,984,613 | 3,325,958 |
| Investment in amortized cost | 185,798,381 | - |
| Due from settlement partners | - | 66,058,025 |
| Other financial assets | 207,451,401 | 162,562,057 |
| Total financial assets | 522,234,395 | 231,946,040 |
| Financial liabilities | | |
| Deposit liabilities | 296,815,721 | - |
| Accrued interest and other expenses | 1,908,391 | - |
| Due to settlement partners | 43,125,110 | - |
| Accounts payable | 322,449,539 | 123,473,494 |
| Other financial liabilities | 382,217 | 62,377 |
| Total financial liabilities | 664,680,978 | 123,535,871 |
| Net on-balance sheet position | (142,446,583) | 108,410,169 |

The Bank is expected to regularly monitor compliance with the asset cover requirement and must strive to achieve a 100% FCDU asset cover ratio. When FCDU posts Net Realized/Unrealized Losses in profit or loss and in equity, the Bank is required to transfer eligible assets from Regular Banking Unit (RBU) to FCDU and recognize such as Due to RBU. Said liability will not be subject to asset cover requirement. As at December 31, 2024, the Bank's FCDU is in a net loss position requiring recognition of the reported Due to RBU balance amounting to P702,927.

Presented below is a sensitivity analysis demonstrating the impact on post-tax income of reasonably possible change in the exchange rate between USD and Philippine Peso. The fluctuation rate is based on the historical movement of USD against the Philippine Peso year on year.

| Year | Change in currency | Effect on post-tax income |
|---|---|---|
| 2024 | +/- 1.99% | +/-2,126,015 |
| 2023 | +/- 1.42% | +/-1,154,568 |

Details of the Bank's foreign exchange gains, net, for the years ended December 31 are as follows:

| | 2024 | 2023 |
|---|---|---|
| Realized gains, net | 76,301,524 | 16,180,130 |
| Unrealized gains (losses), net | 2,834,432 | (4,709,586) |
| | 79,135,956 | 11,470,544 |

### 18.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk is defined as possible losses due to the default of counterparties. Credit risk is monitored and actively managed by way of strict requirements relating to the creditworthiness of the counterparty at the point at which the transactions are concluded and also throughout the entire life of the transactions, and also by way of defining risk limits.

#### 18.2.1 Credit risk management

The Bank has defined credit policy and standards for the approval and management of credit risk, which defines guiding principles and parameters for credit activities as well as the roles and responsibilities of each individual and/or function within the over-all credit process. Credit policies and standards are periodically reviewed to ensure effectiveness and relevance.

The credit risk policy defines the governance body:

- Enterprise Risk Committee (ERC) reports directly to the Board Risk and Compliance Oversight committee and oversees the Enterprise Risk Management framework. This ensures that all current and potential financial risk align with the Bank's risk appetite and strategic goals. The ERC's core credit risk governance function include:
  - Ensuring that credit risk management processes are well-structured, monitored, and reviewed.
  - Implementing a comprehensive credit lifecycle management system for ongoing measurement, monitoring, and reporting.
  - Oversight credit risk management within the Board-approved risk appetite framework.
  - Establishing clear responsibilities and checks and balances through the 3 Lines of Defense governance model.

- Financial Risk Committee, a sub-committee of the ERC, focuses on the following:
  - Overseeing credit risk quality, models, and decision-making processes.
  - Monitoring credit portfolio performance and overseeing exception handling.
  - Conducting credit risk stress testing and reporting essential matters to the ERC.
  - Ensuring internal and external credit risk reporting.
  - Verifying compliance with credit risk-related regulations.

The credit risk policy defines the credit risk framework which includes:

- Risk assessment: The Bank evaluates the creditworthiness of potential borrowers before approving loans.
- Delinquency management: The Bank have clear procedures for handling late payments and loans in trouble. This includes strategies to help borrowers get back on track.
- Provisioning: The Bank set aside money (provisions) to cover potential loan losses based on expected default rates.
- Reporting & monitoring: The Bank regularly track and report on our credit risk exposure, ensuring it stays within our risk appetite.

The Bank assesses the integrity and ability of the customer or counterparty to meet their repayment obligations. The assessment is conducted with the following eligibility considerations and special eligibility criteria:

*Eligibility considerations*

- Types of borrowers and security providers: The Bank differentiates between types of borrowers and security providers, addressing factors that affect their ability to borrow or provide security.
- Capacity to repay: The primary factor in originating credit facilities is the customer's ability to repay the loan. The Bank carefully assesses income, commitments, and the current financial position of the customer
- Environmental risks: Environmental risks associated with the customer or collateral are assessed at initial credit approval and during annual reviews.

*Specific Eligibility Criteria*

- Retail credit: Loans are granted to customers who have repayment capability, typically within the 18-65 age range. Eligible borrowers include full-time employees, contractors, self-employed individuals, and pensioners. Risk appetite may influence restrictions on loan sizes, terms, and concentrations of loans within certain borrower segments.
- Commercial credit: Loans are available to all company types, including Micro, Small, and Medium Enterprises. Repayment capacity is the primary criterion, with tailored assessment approaches depending on the product and target segment. Restrictions may apply based on risk appetite.

The Bank manages concentration risk by limiting the amount of credit extended to a single borrower or group of related borrowers. This prevents catastrophic losses due to the failure of a significant borrower. Concentration limits (where applicable) will be set as the portfolio matures.

### 18.2.2 Credit risk rating

The Bank assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. To measure expected credit losses, the Bank classifies the receivables into three stages:

- Stage 1: 12 months ECL – Performing loans
  - These are loans where there has not been a significant increase in credit risk since initial recognition, which has low credit risk at the reporting date and are not credit impaired upon origination. The ECL associated assumes a high probability of collection.
- Stage 2: Lifetime ECL – Underperforming loans
  - These are loans where there has been a significant increase in credit risk since initial recognition. The ECL associated with the probability of default events occurring within the lifetime ECL will be recognized.
- Stage 3: Lifetime ECL – Non-performing loans
  - These are loans that are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognized. Generally, all financial assets that are more than 90 days past due are classified under Stage 3.

| | Purchased salary loans |
|---|---|
| Stage 1 | Current |
| Stage 2 | ≤ 90 days past due |
| Stage 3 | > 90 days past due |

As the Bank continues to analyze and evaluate the risk performance of Purchased Salary Loans (SAVii Loans), the Bank will regularly assess and enhance its risk assessment methodology as needed to address emerging risks within this portfolio.

The above disclosure is limited to the purchased salary loans as this comprise 99.51% of the total gross loans receivables of the Bank as at December 31, 2024. The outstanding loans receivables as at December 31, 2023 is deemed immaterial, hence, disclosure is limited.

### 18.2.3 Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures arise primarily from the following on-balance sheet financial assets at December 31:

| | 2024 | 2023 |
|---|---|---|
| Due from other banks | 1,766,236,027 | 2,008,551,708 |
| Due from BSP | 5,978,992,009 | 1,244,980,327 |
| Securities purchased under agreements to resell | 2,455,471,331 | 1,334,021,895 |
| Investments at amortized cost | 10,403,280,085 | 8,087,035,621 |
| Financial assets at FVOCI | 3,203,532,135 | 1,207,863,897 |
| Loans receivables, net | 2,499,821,837 | 1,106,807 |
| Due from settlement partners | 2,016,654,861 | 1,580,971,351 |
| Other financial assets* | 727,558,295 | 351,315,471 |
| | 29,051,546,580 | 15,815,847,077 |

**Other financial assets are composed of security deposits, accounts receivable and accrued interest income*

*Credit quality of financial assets*

*(a) Due from other banks*

The Bank has cash deposited with various universal banks which carry a performing status (Stage 1). In the Philippines, universal banks are deemed of good credit and financial standing. Accordingly, management has assessed that credit risk is minimal. As at December 31, 2024 and 2023, the due from other banks balance is fully performing.

*(b) Due from BSP*

Due from BSP is considered fully performing as at reporting date.

*(c) Securities purchased under agreement to resell*

Securities purchased under agreement to resell are with the BSP and are considered fully performing as at reporting date.

*(d) Investment securities at amortized cost*

Investment securities at amortized cost are considered fully performing and no impairment allowance has been recognized as these are mainly comprised of government securities with low credit risk.

*(e) Financial assets at FVOCI*

Investment securities at other comprehensive income are considered fully performing and no impairment allowance has been recognized as these are mainly comprised of government securities with low credit risk.

*(f) Loans receivables, net*

Credit risk exposure in relation to on-balance sheet loans receivables as at December 31 are as follows:

| | 2024 | 2023 |
|---|---|---|
| Corporate and SME loans, net | 13,250,024 | 1,106,807 |
| Retail loans, net | 2,486,571,813 | - |
| | 2,499,821,837 | 1,106,807 |

The following tables contain an analysis of the credit risk exposure of each financial instrument for which an ECL allowance is recognized.

| | 2024 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Credit grade | | | | |
| Pass | 1,525,885,912 | 870,010,289 | - | 2,395,896,201 |
| Especially mentioned / Substandard | - | 178,439,096 | - | 178,439,096 |
| Doubtful / Loss | - | - | 27,170,027 | 27,170,027 |
| Gross amount | 1,525,885,912 | 1,048,449,385 | 27,170,027 | 2,601,505,324 |
| Loss allowance | (20,312,551) | (59,433,692) | (21,937,244) | (101,683,487) |
| Carrying amount | 1,505,573,361 | 989,015,693 | 5,232,783 | 2,499,821,837 |

| | 2023 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Credit grade | | | | |
| Pass | 1,199,502 | - | - | 1,199,502 |
| Especially mentioned / Substandard | - | 16,052 | - | 16,052 |
| Doubtful / Loss | - | - | - | - |
| Gross amount | 1,199,502 | 16,052 | - | 1,215,554 |
| Loss allowance | (107,299) | (1,448) | - | (108,747) |
| Carrying amount | 1,092,203 | 14,604 | - | 1,106,807 |

Credit grade definition as are follows:

- Pass pertain to current accounts and up to 30 days past due;
- Especially mentioned are accounts 31 to 60 days past due;
- Substandard are accounts 61 to 90 days past due; and
- Doubtful are accounts more than 90 days past due.

The above credit grade definition is limited to the purchased salary loans as this comprise 99.51% of the total gross loans receivables of the Bank as at December 31, 2024. The outstanding loans receivables as at December 31, 2023 is deemed immaterial, hence, disclosure is limited.

*(g) Due from settlement partners*

Due from settlement partners are transactions with various unrated counterparties with good credit standing.

*(h) Other financial assets*

Other financial assets consist mainly of accrued interest receivable and security deposits from various unrated counterparties with good credit standing.

None of the fully performing financial assets represent renegotiated accounts.

**18.2.4 Loss allowance**

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent transfer between 12-month and lifetime ECL;

- Additional allowances for new financial instruments recognized during the year and releases for financial instruments derecognized during the year;
- Write-offs of allowances related to assets that were written-off during the year;
- Impact on the measurement of ECL due to changes in Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) during the year;

- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange translations for assets denominated in foreign currencies and other movements.

The following tables summarize the changes in the loss allowance for loans and advances between the beginning and the end of the annual period.

| | 2024 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Loss allowance, at January 1 | 107,299 | 1,448 | - | 108,747 |
| Provision for credit and impairment losses | | | | |
| Transfers: | | | | |
| Transfer from Stage 1 | (13,613,731) | 59,433,692 | 21,937,244 | 67,757,205 |
| Transfer from Stage 2 | - | - | - | - |
| Transfer from Stage 3 | - | - | - | - |
| New financial assets originated | 43,880,462 | - | - | 43,880,462 |
| Financial assets derecognized during the year | (10,061,479) | (1,448) | - | (10,062,927) |
| Changes in assumptions and other movements in provision | - | - | - | - |
| | 20,205,252 | 59,432,244 | 21,937,244 | 101,574,740 |
| Write-offs and other movements | - | - | - | - |
| Loss allowance, at December 31 | 20,312,551 | 59,433,692 | 21,937,244 | 101,683,487 |

No movement analysis of allowance for impairment is presented for the year ended December 31, 2023 as the loss allowance is deemed insignificant for financial reporting purposes.

*Critical accounting estimate and judgment - Measurement of expected credit loss (ECL) for loans and receivables*

The Bank determines the recoverable amount of its financial assets at amortized cost based on ECL. The measurement of ECL is an area that requires the use of complex methods and significant assumptions about future economic conditions and credit behavior.

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and the associated ECL; and
- Establishing groups of similar financial assets for purposes of measuring ECL

*Transfers between stages*

Transfers from Stage 1 and Stage 2 are based on the assessment of SICR from initial recognition. The impact of moving from 12 month expected credit losses to lifetime expected credit losses, or vice versa, varies by product and is dependent on the expected remaining life at the date of the transfer. Stage transfers may result in significant fluctuations in expected credit losses. Assuming all Stage 2 accounts are considered as Stage 1, allowance for impairment for Bank would have decreased by P46 million as at December 31, 2024.

**18.2.5 Credit risk exposure on off-balance sheet items**

As at December 31, 2024, the Bank has commitments amounting to P19,375,611 (2023 - nil). The amount pertains to the unutilized portion of uncommitted and unilaterally cancellable credit limits granted by the Bank to its borrowers. The expected credit loss for these commitments are immaterial to the financial statements as a whole.

### 18.2.6 Concentration of risks of financial assets with credit risk exposure

The Bank's main credit exposures at their carrying amounts relating to significant on-balance sheet financial assets, categorized by industry sectors, are summarized as follows:

| | Financial institutions | Consumer | Retail trade | Real estate | Others | Allowance | Total |
|---|---|---|---|---|---|---|---|
| At December 31, 2024 | | | | | | | |
| Due from other banks | 1,766,236,027 | - | - | - | - | - | 1,766,236,027 |
| Due from BSP | 5,978,992,009 | - | - | - | - | - | 5,978,992,009 |
| Securities purchased under agreements to resell | 2,455,471,331 | - | - | - | - | - | 2,455,471,331 |
| Investments in amortized cost | 10,403,280,085 | - | - | - | - | - | 10,403,280,085 |
| Financial assets at FVOCI | 3,203,532,135 | - | - | - | - | - | 3,203,532,135 |
| Loans receivable, net | - | 2,587,131,608 | - | - | 14,373,716 | (101,683,487) | 2,499,821,837 |
| Due from settlement partners | 1,230,116,441 | - | 786,538,420 | - | - | - | 2,016,654,861 |
| Other financial assets | 619,590,149 | - | 101,488,533 | 6,479,613 | - | - | 727,558,295 |
| | 25,657,218,177 | 2,587,131,608 | 888,026,953 | 6,479,613 | 14,373,716 | (101,683,487) | 29,051,546,580 |

| | Financial institutions | Consumer | Retail trade | Real estate | Others | Allowance | Total |
|---|---|---|---|---|---|---|---|
| At December 31, 2023 | | | | | | | |
| Due from other banks | 2,008,551,708 | - | - | - | - | - | 2,008,551,708 |
| Due from BSP | 1,244,980,327 | - | - | - | - | - | 1,244,980,327 |
| Securities purchased under agreements to resell | 1,334,021,895 | - | - | - | - | - | 1,334,021,895 |
| Investments in amortized cost | 8,087,035,621 | - | - | - | - | - | 8,087,035,621 |
| Financial assets at FVOCI | 1,207,863,897 | - | - | - | - | - | 1,207,863,897 |
| Loans receivable, net | - | - | - | - | 1,215,554 | (108,747) | 1,106,807 |
| Due from settlement partners | 1,207,960,430 | - | 373,010,921 | - | - | - | 1,580,971,351 |
| Other financial assets | - | - | 338,647,831 | 6,479,613 | 6,188,027 | - | 351,315,471 |
| | 15,090,413,878 | - | 711,658,752 | 6,479,613 | 7,403,581 | (108,747) | 15,815,847,077 |

### 18.3 Liquidity risk

Liquidity risk is defined as the current and prospective risk to earnings or capital arising from a Bank's inability to meet its obligations when they come due without incurring unacceptable losses or costs. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values, counterparty failing on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

The Financial Risk Committee, in support of the ERC, provides ongoing oversight of the financial risks and ensures that appropriate frameworks, policies and procedures are implemented and embedded to enable effective management of financial risks.

*Liquidity Coverage Ratio (LCR)*

Pursuant to BSP Circular No. 905 issued in 2016 and as amended to include digital banks by BSP Circular No. 1154 issued in 2023, the Bank is required to hold and maintain an adequate level of unencumbered High Quality Liquid Assets (HQLA) that are sufficient to meet its estimated total net cash outflows over a 30 calendar-day period of liquidity stress. The LCR is the ratio of HQLAs to total net cash outflows which should be no lower than 100% on a daily basis. It is designed to promote short-term resilience of the Branch's liquidity risk profile to withstand significant liquidity shocks that may last over 30 calendar days. HQLA represents the Bank's stock of liquid assets that qualify for inclusion in the LCR which consists mainly of cash, regulatory reserves and unencumbered high-quality liquid assets. HQLAs therefore, serve as defense against potential stress events.

The main drivers of the Bank's LCR comprise the changes in the total stock of HQLA as well as changes in net cash outflows related to deposits and unsecured borrowings, among others. The Bank's LCR is well-above the regulatory minimum of 100%.

*Net Stable Funding Ratio (NSFR)*

With the commencement of operations in August 2022, the Bank adopted BSP Circular No. 1007 (as amended by BSP Circular No. 1154) regarding the NSFR requirement. The NSFR is aimed at strengthening the Bank's long-term resilience by maintaining a stable funding in relation to its assets and off-balance sheet items as well as to limit the maturity transformation risk of the Bank. The NSFR is expressed as the ratio of available stable funding and the required stable funding and complements the LCR as it takes a longer view of the Bank's liquidity risk profile. The Bank's capital and retail deposits are considered as stable funding sources whereas the Bank's assets including, but not limited to, HQLA, deposits at other banks, as well as other assets form part of the required stable funding. The Bank's NSFR is well-above the regulatory minimum of 100%.

The Bank maintains a well-diversified funding base and has a substantial amount of core deposits, thereby mitigating the risk of undue concentrations by counterparty, maturity, and currency. The Bank manages its liquidity position through asset-liability management activities supported by a well-developed funds management practice as well as a sound risk management system. As part of risk oversight, the Bank monitors its liquidity risk on a daily basis, in terms of single currency and significant currencies, to ensure it is operating within the risk appetite and to assess ongoing compliance with the minimum requirement of the liquidity ratios. Furthermore, the Bank has a set of policies and escalation procedures in place that govern its day-to-day risk monitoring and reporting processes.

The table below shows the actual liquidity metrics of the Bank:

| | 2024 | 2023 |
|---|---|---|
| Liquidity coverage ratio | 1,565% | 459% |
| Total Stock of High Quality Liquid Assets (HQLA) | 22,041,275,560 | 11,873,901,741 |
| Total Net Cash Outflows | 1,408,529,815 | 2,589,585,534 |
| Net stable funding ratio | 377% | 263% |

The Bank remains compliant with the LCR requirement by the BSP in 2024 and 2023. There was an increase in the Bank's liqudity coverage ratio from the growth of the Bank's retail deposit business funding the increase in HQLA. It can also be noted that outflows for 2023 was artificially inflated by purchase of HQLA which remained unsettled at year-end, which put downward pressure on the ratio for said year.

The Bank is fully compliant with the NSFR requirement by the BSP in 2024 and 2023. Observed increase in the ratio compared to last year was due to the increase in available funding from the consistent level of capital and the strong growth of the retail deposit business.

*Non-derivative cash flows*

The table below presents the maturity profile of non-derivative financial instruments based on undiscounted cash flows, including interest, which the Bank uses to manage the inherent liquidity risk.

The maturity analysis is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date the financial asset will be realized or the financial liability will be settled.

| 2024 | Up to 1 year | Over 1 up to 3 years | Over 3 years | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Due from other banks | 1,766,236,027 | - | - | 1,766,236,027 |
| Due from BSP | 5,982,134,464 | - | - | 5,982,134,464 |
| Securities purchased under agreements to resell | 2,456,255,718 | - | - | 2,456,255,718 |
| Investments at amortized cost | 10,439,149,350 | - | - | 10,439,149,350 |
| Financial assets at FVOCI | 202,076,200 | 404,152,400 | 3,536,677,480 | 4,142,906,080 |
| Loans and advances, net | 2,366,368,318 | 852,281,339 | 9,561,220 | 3,228,210,877 |
| Due from settlement partners | 2,016,654,861 | - | - | 2,016,654,861 |
| Other financial assets | 297,320,465 | - | 430,237,830 | 727,558,295 |
| Total financial assets | 25,526,195,403 | 1,256,433,739 | 3,976,476,530 | 30,759,105,672 |
| Financial liabilities | | | | |
| Deposit liabilities | 26,276,408,035 | - | - | 26,276,408,035 |
| Accrued interest and other expenses | 58,526,578 | - | - | 58,526,578 |
| Lease liabilities | 27,256,379 | 42,350,604 | - | 69,606,983 |
| Due to settlement partners | 2,207,846,633 | - | - | 2,207,846,633 |
| Accounts payable | 412,009,917 | - | - | 412,009,917 |
| Other liabilities | 1,000,000 | - | - | 1,000,000 |
| Total financial liabilities | 28,983,047,542 | 42,350,604 | - | 29,025,398,146 |
| Net financial assets | (3,456,852,139) | 1,214,083,135 | 3,976,476,530 | 1,733,707,526 |

| 2023 | Up to 1 year | Over 1 up to 3 years | Over 3 years | Total |
|---|---|---|---|---|
| Financial assets | | | | |
| Due from other banks | 2,008,551,708 | - | - | 2,008,551,708 |
| Due from BSP | 1,245,153,494 | - | - | 1,245,153,494 |
| Securities purchased under agreements to resell | 1,334,683,348 | - | - | 1,334,683,348 |
| Investments at amortized cost | 8,116,772,288 | - | - | 8,116,772,288 |
| Financial assets at FVOCI | 76,475,000 | 152,950,000 | 1,358,182,877 | 1,587,607,877 |
| Loans and advances, net | 1,359,338 | - | - | 1,359,338 |
| Due from settlement partners | 1,580,971,351 | - | - | 1,580,971,351 |
| Other financial assets | 144,812,858 | - | 206,502,613 | 351,315,471 |
| Total financial assets | 14,508,779,385 | 152,950,000 | 1,564,685,490 | 16,226,414,875 |
| Financial liabilities | | | | |
| Deposit liabilities | 11,253,131,455 | - | - | 11,253,131,455 |
| Accrued interest and other expenses | 38,087,916 | - | - | 38,087,916 |
| Lease liabilities | 26,443,418 | 69,535,172 | - | 95,978,590 |
| Due to settlement partners | 1,370,424,560 | - | - | 1,370,424,560 |
| Accounts payable | 2,059,822,459 | - | - | 2,059,822,459 |
| Other liabilities | - | - | - | - |
| Total financial liabilities | 14,747,909,808 | 69,535,172 | - | 14,817,444,980 |
| Net financial assets | (239,130,423) | 83,414,828 | 1,564,685,490 | 1,408,969,895 |

*Non-financial risks*

Non-financial risks are risks associated to the Bank's operations that when left unmitigated may lead to financial, reputational, operational or regulatory consequences. The Bank considers strategic risk, operational risk, cyber security, compliance risk and financial crime as the primary non-financial risks.

- Strategic risk is the risk of loss arising from ineffective business plans and failure to respond appropriately to changes in the business environment. This is attributed to the results of unfavorable business decisions, failed process implementations, and inability to adapt to the changes in the industry. This type of risk includes reputational and people-related risks. Key framework and policies such as the Enterprise Risk Management Framework Risk Appetite Statement (RAS) Corporate Governance Policy, and Business Strategy and Operating Plan are implemented on an ongoing basis.

  The Board of Directors sets the direction of the Bank's strategic plans. The Bank ensures that the goals are well-aligned with the business strategies, resources, and implementation plans. A detailed risk review and deliberation is done prior to implementation of new products and services as well as process and product enhancements.

- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or external events. The Bank acknowledges that operational risk is inherent in all activities, products and services, and cuts across multiple activities and business lines within the Bank, thus, control processes are in place to ensure that the risks are mitigated.

  The Bank's program includes activities to evaluate and monitor the operational risk profile. These include operational risk tools such as Risk and Control Self-Assessment (RCSA), RAS, Incident and Issue Management, Control Assurance, and tracking of the Operational Losses. The RCSA is the tool to help the business units to assess the specific risk exposures and the effectivity of the controls in place.

- Cyber security risk is the risk related to the Bank's or its third parties' data or technology that are inadequately assessed, manipulated, or damaged due to the cyber security threats. This is mitigated through activities that assesses and monitors the Bank's vulnerabilities and remediation plans. As a digital bank, the Bank ensures that proper governance frameworks and policies to prevent cyber security risks are efficiently implemented.

- Compliance risk and financial crime is the risk of failing to abide to regulatory expectations and inability to deliver suitable and fair customer obligations and support market integrity. Policies are in place to safeguard the Bank's compliance to the minimum requirements of local regulators. Meanwhile, financial crime risks are risks due to failure to prevent crimes that result to financial implications. The Bank will remain compliant to the Anti-Money Laundering Act and aligning all related Bank policies to the regulation. The Bank also assesses and continues to ensure it is meeting obligations and compliance to Philippine Data Privacy Act.

## 18.4 Fair value measurement

The following tables present the carrying value of assets and liabilities and the level of fair value hierarchy within which the fair value measurements are categorized:

| 2024 | Carrying amount | Fair value Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Due from other banks | 1,766,236,027 | - | 1,766,236,027 | - | 1,766,236,027 |
| Due from BSP | 5,978,992,009 | - | 5,978,992,009 | - | 5,978,992,009 |
| Securities purchased under agreements to resell | 2,455,471,331 | - | 2,455,471,331 | - | 2,455,471,331 |
| Investments at amortized cost | 10,403,280,085 | 10,403,280,085 | - | - | 10,403,280,085 |
| Financial assets at FVOCI | 3,203,532,135 | 3,203,532,135 | - | - | 3,203,532,135 |
| Loans receivables, net | 2,499,821,837 | - | 2,572,597,657 | - | 2,572,597,657 |
| Due from settlement partners | 2,016,654,861 | - | 2,016,654,861 | - | 2,016,654,861 |
| Other financial assets | 727,558,295 | - | 727,558,295 | - | 727,558,295 |
| Financial liabilities | | | | | |
| Deposit liabilities | 25,434,642,472 | - | 25,434,642,472 | - | 25,434,642,472 |
| Accrued interest and other expenses | 58,526,578 | - | 58,526,578 | - | 58,526,578 |
| Lease liabilities | 64,786,583 | - | 64,838,855 | - | 64,838,855 |
| Due to settlement partners | 2,207,846,633 | - | 2,207,846,633 | - | 2,207,846,633 |
| Accounts payable | 412,009,917 | - | 412,009,917 | - | 412,009,917 |
| Other liabilities | 1,000,000 | - | 1,000,000 | - | 1,000,000 |

| 2023 | Carrying amount | Fair value Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Due from other banks | 2,008,551,708 | - | 2,008,551,708 | - | 2,008,551,708 |
| Due from BSP | 1,244,980,327 | - | 1,244,980,327 | - | 1,244,980,327 |
| Securities purchased under agreements to resell | 1,334,021,895 | - | 1,334,021,895 | - | 1,334,021,895 |
| Investments at amortized cost | 8,087,035,621 | 8,087,035,621 | - | - | 8,087,035,621 |
| Financial assets at FVOCI | 1,207,863,897 | 1,207,863,897 | - | - | 1,207,863,897 |
| Loans receivables, net | 1,106,807 | - | 1,106,807 | - | 1,106,807 |
| Due from settlement partners | 1,580,971,351 | - | 1,580,971,351 | - | 1,580,971,351 |
| Other financial assets | 351,315,471 | - | 351,315,471 | - | 351,315,471 |
| Financial liabilities | | | | | |
| Deposit liabilities | 10,781,527,831 | - | 10,781,527,831 | - | 10,781,527,831 |
| Accrued interest and other expenses | 38,087,917 | - | 38,087,917 | - | 38,087,917 |
| Lease liabilities | 86,941,220 | - | 87,489,039 | - | 87,489,039 |
| Due to settlement partners | 1,370,424,560 | | 1,370,424,560 | - | 1,370,424,560 |
| Accounts payable | 2,059,822,459 | - | 2,059,822,459 | - | 2,059,822,459 |

The carrying values of financial asset and liabilities not measured at fair value, except loans receivables, net and lease liabilities, approximate its fair values as at December 31, 2024 and 2023 considering its short-term nature.

## 18.5 Capital management

Capital management is understood to be a facet of risk management. The primary objective of the Bank is the generation of recurring acceptable returns to shareholder's capital. To this end, the Bank's policies, business strategies and activities are directed towards the generation of cash flows that are in excess of its fiduciary and contractual obligations to its various funders and stakeholders.

Cognizant of its exposure to risks, the Bank understands that it must maintain sufficient capital to absorb unexpected losses, to stay in business for the long haul, and to satisfy regulatory requirements. The Bank further understands that its performance, as well as the performance of its various units, should be measured in terms of returns generated vis-à-vis allocated capital and the amount of risk borne in the conduct of business.

The Bank considers its total capital funds as its capital.

BSP Circular No. 1105, Guidelines on the Establishment of Digital Banks, requires digital banks to have a minimum capitalization of one billion pesos (P1,000,000,000). The Bank has met the minimum capital requirement upon application for a digital license with the BSP. The Manual of Regulations for Banks, Section 121 provides banks, which are already authorized by the Monetary Board but not yet operating, a transitory period of five (5) years to meet the minimum capital requirements.

BSP requires each bank to adopt the capital requirements in accordance with the provisions of BASEL III. The guidelines are meant to strengthen the composition of the Bank's capital by increasing the level of core capital and regulatory capital. BSP sets out minimum Common Equity (CET1) ratio and Tier 1 Capital ratios of 6.0% and 7.5%, respectively. A capital conservation buffer of 2.5%, comprised of CET1 capital, was likewise imposed. The minimum required capital adequacy ratio remains at 10% which includes the capital conservation buffer.

The Bank’s regulatory capital position as at December 31 is as follows:

| | 2024 | 2023 |
|---|---:|---:|
| CET1 Capital | | |
| Paid-up common stock | 6,639,732,189 | 5,000,000,000 |
| Additional paid-in capital | 1,884,903,435 | - |
| Retained earnings | (3,473,568,984) | (1,028,632,874) |
| Undivided profits | (3,212,751,261) | (2,534,255,695) |
| Other comprehensive income | 10,110,244 | 19,455,789 |
| Regulatory adjustments: | | |
| *Total outstanding credit accommodations to DOSRI* | (5,311,271) | (75,056,636) |
| *Deferred tax assets* | (41,998,933) | - |
| *Other intangible assets* | (310,152,837) | (375,116,066) |
| Total CET1 Capital | 1,490,962,582 | 1,006,394,518 |
| Additional Tier 1 Capital | - | - |
| Total Tier 1 Capital | 1,490,962,582 | 1,006,394,518 |
| Tier 2 Capital | 20,312,551 | 107,299 |
| Total Qualifying Capital | 1,511,275,133 | 1,006,501,817 |

| | 2024 | 2023 |
|---|---:|---:|
| Credit risk-weighted assets | 6,619,339,640 | 3,492,322,825 |
| Market risk-weighted assets | 62,512,600 | 115,374,769 |
| Operational risk-weighted assets | 212,445,515 | 25,655,676 |
| Total risk-weighted assets | 6,894,297,755 | 3,633,353,270 |

| | 2024 | 2023 |
|---|---:|---:|
| Capital Ratios: | | |
| CET1 Capital Ratio | 21.63% | 27.70% |
| Tier 1 Capital Ratio | 21.63% | 27.70% |
| Total Capital Adequacy Ratio | 21.92% | 27.70% |
| *CET1 buffer* | 15.63% | 21.70% |

The Bank has fully complied with the CAR requirements of the BSP.

Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on the ratings by Standard & Poor's, Moody's, Fitch and Philratings on exposures to Sovereigns, Multilateral Development Banks, Banks, Local Government Units, Government Corporations and Corporates.

The Standardized Approach is used in the Bank's market risk-weighted assets and the Basic Indicator Approach is used in the Bank's operational risk-weighted assets.

*Leverage ratio*

As per BSP Circular No. 881 issued in 2015 (as amended by BSP Circular No. 1154), the Bank adopted the monitoring of Basel III Leverage Ratio (BLR) which is designed to act as a supplementary measure to the risk-based capital requirements. The leverage ratio intends to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes which can damage the broader financial system and the economy. Likewise, it reinforces the risk-based requirements with a simple, non-risk based "backstop" measure. The Basel III Leverage Ratio is defined as the capital measure (numerator) divided by the exposure measure (the denominator).

The BLR of the Bank as at December 31 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Basel III leverage ratio | 5.05% | 6.15% |
| Tier 1 capital | 1,490,962,582 | 1,006,394,518 |
| Total exposure measure | 29,513,694,493 | 16,353,057,537 |

The Bank remains to be compliant with the BLR requirement by the BSP in 2024 and 2023. The noted decline in the leverage ratio is the result of the rise in the Bank's total assets, mainly funded by the steady increase of the deposit base, as the Bank grows its business.

## 19 Subsequent events

On January 17, 2025, the Bank made a capital call, which was approved by the BOD on December 6, 2024 amounting to P1,650,000,000. The amount is equivalent to 389,684,001 common shares at a price of P4.2342 per share. The Bank received P1,487,476,899 in January 2025 and P162,523,101 in February 2025. The Bank likewise incurred stock issuance costs amounting to P3,896,840.

## 20 Summary of material accounting policies

The material information of the principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

### 20.1 Basis of preparation

The financial statements of the Bank as at and for the years ended December 31, 2024 and 2023 are prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards
- PAS Standards, and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy, and adopted by the SEC

These financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at FVOCI.

The preparation of these financial statements in accordance with PFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Actual results may ultimately differ from these estimates. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

*Critical accounting estimates*

- Measurement of expected credit losses for loans receivables (Note 18.2.4)
- Useful lives of bank premises, furniture, fixtures and equipment (Note 6)
- Useful lives of intangible assets (Note 7)
- Determining the incremental borrowing rate (Note 11)

*Critical accounting judgments*

- Determining the lease term (Note 11)
- Recognition of deferred tax assets (Note 16)

### 20.2 Changes in accounting policy and disclosures

*New standards and amendments to existing standards adopted by the Bank*

There are no new standards or amendments to existing standards effective January 1, 2024 that have a material impact to the Bank.

*New standards and amendments to existing standard not yet adopted by the Bank*

The following new accounting standards and amendments to existing standards are not mandatory for December 31, 2024 reporting period and has not been early adopted by the Bank:

- *PFRS 18, 'Presentation and Disclosure in Financial Statements'*

  This is the new standard on presentation and disclosure in financial statements, which replaces PAS 1, with a focus on updates to the statement of profit or loss.

  The key new concepts introduced in PFRS 18 relate to:
  - The structure of the statement of profit or loss with defined subtotals;
  - Requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss
  - Required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
  - Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general

- *PFRS 19, 'Subsidiaries without Public Accountability: Disclosures*

  This new standard works alongside other PFRS Accounting Standards. An eligible subsidiary applies the requirements in other PFRS Accounting Standards except for the disclosure requirements; and it applies instead the reduced disclosure requirements in PFRS 19. PFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. PFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if:
  - It does not have public accountability; and
  - It has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

• *Amendments to the Classification and Measurement of Financial Instruments – Amendments to PFRS 9 and PFRS 7*

  On May 30, 2024, the IASB issued targeted amendments to PFRS 9 Financial Instruments and PFRS 7 Financial Instruments: Disclosures to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:
  (a) Clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
  (b) Clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
  (c) Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
  (d) Update the disclosures for equity instruments design

The adoption of PFRS 18, PFRS 19 and amendments to PFRS 9 and PFRS 7 are not expected to have a material financial effect to the financial statements of the Bank.

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2025 that are considered relevant or expected to have a material effect on the financial statements of the Bank.

**20.3 Financial instruments**

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss.

**20.3.1 Financial assets**

*Classification*

The Bank classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value through other comprehensive income (FVOCI), and
- those to be measured at amortized cost.

The classification depends on the Bank's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at FVOCI, gains and losses will recorded in other comprehensive income.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes.

*Recognition*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Bank commits to purchase or sell the asset.

*Classification and subsequent measurement*

The classification is based on both the business model for managing the financial assets and their contractual cash flow characteristics. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated.

As at December 31, 2024 and 2023, the Bank only holds debt financial assets classified and measured at amortized cost and FVOCI.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income. Impairment losses, if any, are presented as Provision for credit and impairment losses in the statement of total comprehensive income.

The Bank's financial assets at amortized cost consist of due from other banks (Note 2), due from BSP (Note 2), securities purchased under agreements to resell (Note 3), investments at amortized cost (Note 4), loans receivables (Note 5), due from settlement partners (Note 8) and other financial assets (Note 8).

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. The Bank has no investments in equity instruments as at December 31, 2024 and 2023.

*Impairment and write-off*

*Measurement of ECL*

The Bank assesses on a forward looking basis the ECL associated with its financial assets carried at amortized cost. The Bank recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are measured using a three stage model based on changes in credit quality of the financial instrument since it was initially recognized (initial recognition):

- Stage 1 - performing financial instruments that have not had a significant increase in credit risk since initial recognition. For these assets, 12-month ECL are recognized and interest/profit revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance);
- Stage 2 - performing financial instruments that have experienced a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest/profit revenue is still calculated on the gross carrying amount of the asset; and
- Stage 3 - non-performing financial instruments that have been determined to be credit-impaired. For these assets, lifetime ECL are recognized and interest/profit revenue is calculated on the net carrying amount (that is, net of credit allowance).

The following diagram summarizes the impairment requirements under PFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

| Stage 1 | Stage 2 | Stage 3 |
|---|---|---|
| Initial recognition | Significant increase in credit risk since initial recognition | Credit-impaired assets |
| 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses |

The Bank has no purchased or originated credit-impaired financial assets for the years ended December 31, 2024 and 2023.

*Determination of significant increase in credit risk (SICR)*

The Bank compares the probabilities of default occurring over its expected life as at the reporting date with the probability of default occurring over its expected life on the date of initial recognition to determine significant increase in credit risk. Since comparison is made between forward-looking information at reporting date against initial recognition, the deterioration in credit risk may be triggered by the following factors:

- substantial deterioration in credit quality as measured by the applicable internal or external ratings and credit score;
- adverse changes in business, financial and/or economic conditions of the borrower;
- early warning signs of worsening credit where the ability of the counterparty to honor his obligation is dependent upon favorable business or economic condition;
- assessment of the borrower's historical payment delinquencies; and
- expert judgment for the other quantitative and qualitative factors which may result to SICR as defined by the Bank.

*Measuring ECL - Inputs, assumptions and estimation techniques*

ECL is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL is the discounted product of the PD, EAD, and LGD, defined as follows:

- The PD represents the likelihood that the borrower will default, either over the next 12 months (12M PD), or over the remaining life (lifetime PD) of the asset.

  - 12-month PD is the portion of the lifetime PD that results from default events that are possible within the next 12 months after the balance sheet date.
  - Lifetime PD is the probability of a default event when assessed over the lifetime of a loan/financing. It is a cumulative PD.

  Where there is no PD model developed for a portfolio (either due to data quality issue or insufficient number of defaults), the application of PD shall be based on judgmental approach, e.g., proxy of model or loss rate approach.

- EAD is based on the amounts that the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). This takes into account expected changes in the exposure after the reporting date, including repayments of principal and interest/profit, and expected draw downs on committed facilities.

- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

  The LGDs are determined based on the factors which impact the recoveries made post-default. Where information is insufficient to determine the segment or components, portfolio average rate may be considered.

  Where there is no LGD model developed for a portfolio (either due to data quality issue or insufficient recovery data), the application of LGD shall be based on judgmental approach. For the application of proxy model, assessment shall be performed to determine if the portfolio shares the similar credit risk expectation with the proxy model.

The ECL is determined by multiplying the PD, LGD and EAD together for each individual exposure or collective segment. This effectively calculates an ECL for each future year, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the life of the assets. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band.

Forward-looking economic information is also included in determining the 12-month and lifetime PD. These assumptions vary by product type.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs and how collateral values change are monitored and reviewed regularly.

In 2024, the Bank has provided allowance for impairment on its loans receivables amounting to P101,683,487 (2023 - P108,747).

### 20.3.2 Financial liabilities

*Classification*

As at December 31, 2024 and 2023, the Bank only has financial liabilities at amortized cost.

Financial liabilities measured at amortized cost consist mainly of deposit liabilities (Note 9), accrued interest and other expenses (Note 10), due to settlement partners (Note 12), accounts payable (Note 12) and other liabilities (Note 12).

*Recognition and measurement*

Financial liabilities at amortized cost are initially measured at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest rate method.

### 20.4 Cash and cash equivalents

Cash and cash equivalents consist of due from other banks, due from BSP, and securities purchased under agreements to resell with maturities of less than three months from the date of acquisition and that are subject to insignificant risk of changes in value.

## 20.5 Repurchase and reverse repurchase agreements

Securities sold subject to repurchase agreements (‘repos’) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities purchased under agreements to resell (‘reverse repos’) are recorded as loans and advances to other banks and customers and included in the statement of financial position under “Securities purchased under agreements to resell”. Securities lent to counterparties are also retained in the financial statements.

## 20.6 Bank premises, furniture, fixtures and equipment

All bank premises, furniture, fixtures and equipment are stated at historical cost less accumulated depreciation and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of an asset which comprises its purchase price, import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset’s carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

| Asset category | Useful life |
|---|---|
| Furniture and office equipment | 3 to 5 years |
| IT equipment | 3 to 5 years |
| Kiosks | 5 years |

Right-of-use asset, presented as part of Bank premises, is generally depreciated over the shorter of the asset's useful life of 3 to 10 years and the lease term, on a straight-line basis.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. There are no bank premises, furniture, fixtures and equipment that are impaired as at December 31, 2024 and 2023.

## 20.7 Intangible assets

Intangible assets include software costs, which are accounted for under the cost model. The cost of these assets comprises all expenditures directly attributable to their development, bringing them to a working condition for their intended use as determined by management.

The intangible asset is amortized on a systematic basis over its useful life, if the asset has a finite life to allocate their costs to their residual values over their estimated useful lives, as follows:

| Asset category | Useful life |
|---|---|
| Software | Generally 5-7 years, depending on the type of software |
| Licenses | Contract length |

Amortization shall begin when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The assets' residual values and useful lives are to be reviewed and adjusted, if appropriate, at each reporting period.

Intangible assets are also reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable value.

### 20.8 Provisions

Provisions are recognized when all of the following conditions are met: (i) the Bank has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

### 20.9 Income and expense recognition

*Interest income*

Interest income and expense for all interest-bearing financial instruments is recognized using the effective interest rate method.

Interest income on bank deposits is recognized on a time-proportion basis using the effective interest rate method. The amount presented is gross of final tax which is shown as provision for income tax in the statement of total comprehensive income.

*Fees and commission income*

Fees and commission income are recognized under PFRS 15, Revenue from contracts with customers, in which revenue shall be recognized when it satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service).

The Bank shall recognize revenue at the point of time when the customer is presently obliged to pay for the service, which may indicate that the customer has obtained the ability to direct use of an asset and obtain substantially all of the benefits from the performance obligation. Transaction and other fees shall be recognized at the point in time upon satisfaction of the performance obligation.

The Bank shall recognize revenue over time if the customer simultaneously receives and consumes the benefits provided by the Bank as the Bank performs the services.

The Bank's fees and commissions for the years ended December 31, 2024 and 2023 comprise of transaction fees earned from interchange fees, interbank transfer and commissions from settlement partners. These are recognized as revenue at point in time.

### 20.10 Equity

*Share capital*

Share capital is initially recognized at the amount of consideration received and the related tax effects, directly attributable to the issue of new shares.

*DFFS (Note 13)*

Deposit made for future stock subscription is accounted for as a separate account under equity when all of the following elements are present at the end of the reporting period:

- The unissued authorized capital stock of the Company is insufficient to cover the amount of shares indicated in the contract;
- There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the Company);
- There is shareholders' approval of the said proposed increase; and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

*Deficit*

The amounts included in accumulated deficit pertains to the current year's and prior year's net loss from operations and stock issuance cost in 2023.

*Stock issuance costs*

Transaction costs of an equity transaction are directly charged to additional paid in capital/deficit in capital funds to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Unpaid documentary stamp taxes are recorded as part of liability in the statement of financial position. This will be derecognized upon remittance to the BIR.

*Share-based compensation reserve*

The Bank grants equity-settled share-based compensation to qualified beneficiaries.

The Bank shall measure the goods or services received, and the corresponding increase in equity, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. Otherwise, measurement shall be made by reference to the fair value of the equity instruments granted.

The award price for RSU and PSU is derived from the value of a share as at the award date, calculated with reference to the results of the most recently conducted company equity valuation preceding the award date. Valuation employed a model-based approach, using the latest plans and projections and observable inputs from the market, adjusted for risk factors inherent in the business. Further, the model was calibrated to ensure that output was reasonably in line with comparative market prices

When the share-based compensation are exercised or shares are subscribed, the proceeds received are credited to share capital (par value) and additional paid-in capital for the excess of exercise price over par value.

### 20.11 Foreign currency translation

*Functional and presentation currency*

Items in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Philippine Peso, which is the Bank's functional and presentation currency.

### 20.12 Income taxes

*Current income tax*

Income tax is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognized as an expense for the year except to the extent that current tax is related to items that are charged or credited in other comprehensive income or directly to capital funds.

The Bank has substantial income from term deposits and investment in government securities subject to final withholding tax. Such income is presented at its gross amount and the final tax paid or withheld is included in provision for income tax.

*Deferred income tax (DIT)*

DIT is recognized on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, DIT is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The Bank reassesses at each reporting date the need to recognize a previously unrecognized DIT asset.

DIT liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

DIT assets and liabilities are derecognized when the related temporary differences are realized or settled.

### 20.13 Leases

*Measurement of lease liabilities*

Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing; and
- makes adjustments specific to the lease (i.e. term, currency and security).

*Measurement of right-of-use assets*

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

*Extension and termination options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

*Short-term leases and leases of low-value assets*

Payments associated with short-term leases and leases of low-value assets shall be recognized on a straight-line basis as an expense in the statement of total comprehensive income. Short-term leases shall be leases with a lease term of twelve (12) months or less. Low-value assets shall comprise IT-equipment and small items of office furniture.

### 20.14 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where PAS 8, Accounting policies, changes in accounting estimates and error, applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

## 21 Supplemental information required by the Bangko Sentral ng Pilipinas

Presented below is the additional information required by BSP Circular No. 1074 for 2024. The 2023 information has been shown for comparison purposes. This information is presented for BSP reporting purposes and is not a required part of the basic financial statements.

*(i) Basic quantitative indicators of financial performance*

The key financial performance indicators follow (in %):

| | 2024 | 2023 |
|---|---|---|
| Return on average equity[1] | (217.19%) | (154.80%) |
| Return on average assets[2] | (14.73%) | (26.07%) |
| Net interest margin[3] | 3.58% | 1.34% |

*[1]Net income divided by average total equity for the year indicated. Average total equity is based on the year-on-year balance of equity for the years ended December 31, 2024 and 2023.*
*[2]Net income divided by average total assets as at year indicated. Average total assets is based on the year-on-year balance of total assets as at December 31, 2024 and 2023.*
*[3]Net interest income divided by average interest-earning assets. Average interest earning assets is based on the year-on-year balance of interest earning assets as at December 31, 2024 and 2023.*

*(ii) Description of capital instruments issued*

The Bank considers its common shares as capital instrument for purposes of calculating its capital adequacy ratio as at December 31, 2024 and 2023.

*(iii) Significant credit exposures*

Details of the loans receivables portfolio as to concentration per industry/economic sector (as percentage of total loan portfolio) as at December 31 are as follows (amounts gross of allowance for expected credit losses):

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| For household consumption | 2,586,913,879 | 99.44 | - | - |
| Wholesale and retail trade, repair of motor vehicles, motorcycles | 7,889,214 | 0.30 | 788,753 | 64.89 |
| Accommodation and food service activities | 2,040,998 | 0.08 | 10,842 | 0.89 |
| Administrative and support services activities | 1,397,192 | 0.05 | 16,052 | 1.32 |
| Manufacturing | 956,367 | 0.04 | - | - |
| Education | 924,592 | 0.04 | 248,014 | 20.40 |
| Other service activities | 469,733 | 0.02 | - | - |
| Information and communication | 350,699 | 0.01 | - | - |
| Transportation and storage | 304,010 | 0.01 | - | - |
| Human health and social work activities | 191,640 | 0.01 | 151,893 | 12.50 |
| Professional, scientific and technical activities | 43,491 | 0.00 | - | - |
| Arts, entertainment and recreation | 23,509 | 0.00 | - | - |
| | 2,601,505,324 | 100.00 | 1,215,554 | 100.00 |

Details of the loans receivables portfolio as to concentration per industry/economic sector (as percentage of Tier 1 capital) as at December 31 are as follows (amounts gross of allowance for expected credit losses):

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| For household consumption | 2,586,913,879 | 173.51 | - | - |
| Wholesale and retail trade, repair of motor vehicles, motorcycles | 7,889,214 | 0.53 | 788,753 | 0.08 |
| Accommodation and food service activities | 2,040,998 | 0.14 | 10,842 | 0.00 |
| Administrative and support services activities | 1,397,192 | 0.09 | 16,052 | 0.00 |
| Manufacturing | 956,367 | 0.06 | - | - |
| Education | 924,592 | 0.06 | 248,014 | 0.02 |
| Other service activities | 469,733 | 0.03 | - | - |
| Information and communication | 350,699 | 0.02 | - | - |
| Transportation and storage | 304,010 | 0.02 | - | - |
| Human health and social work activities | 191,640 | 0.01 | 151,893 | 0.02 |
| Professional, scientific and technical activities | 43,491 | 0.00 | - | - |
| Arts, entertainment and recreation | 23,509 | 0.00 | - | - |

As at December 31, 2024 and 2023, loans receivables are unsecured.

Breakdown of performing and non-performing loans, net of allowance for impairment, as at December 31 is as follows:

| | 2024 | 2023 |
|---|---|---|
| Performing loans | 2,396,503,436 | 1,215,554 |
| Non-performing loans (NPL) | 205,001,888 | - |
| | 2,601,505,324 | 1,215,554 |
| Allowance attributable to performing loans | (53,689,353) | (108,747) |
| Allowance attributable to NPL | (47,994,134) | - |
| | (101,683,487) | (108,747) |
| Net carrying amount | 2,499,821,837 | 1,106,807 |

For purposes of reporting to the BSP, the Bank defines NPL as loans receivables that are more than 30 days past due.

*(iv) Information on related party loans*

As at December 31, 2024, the Bank has related party loans to Universal Robina Corporation, an entity under common control, amounting to P217,729 (2023 - nil), gross of expected credit losses. Said exposure is on unsecured basis and is classified as performing as of said report date.

The Bank does not have DOSRI loans receivables as at December 31, 2024.

*(v) Secured liabilities and assets pledged as security*

The Bank has no secured liabilities as at December 31, 2024 and 2023.

*(vi) Contingencies and commitments arising from off-balance sheet items*

As at December 31, 2024, the Bank has reported commitments amounting to P19,375,611 (2023 - nil). The amount pertains to the unutilized portion of uncommitted and unilaterally cancellable credit limits granted by the Bank to its borrowers.

## 22 Supplementary information required by the BIR

Below is the additional information required by Revenue Regulations (RR) No. 15-2010 that is relevant to the Bank. This information is presented for the purposes of filing with the BIR and is not a required part of the basic financial statements.

*(i) Documentary stamp taxes (DST)*

DST paid for the year ended December 31, 2024 consist of:

| | Paid | Accrued | Amount |
|---|---|---|---|
| Stock subscription | 15,420,628 | 976,696 | 16,397,324 |
| Loan | 152,037 | 54,165 | 206,202 |
| Loan | 1,054,209 | - | 1,054,209 |
| | 16,626,874 | 1,030,861 | 17,657,735 |

DST on stock subscription is directly charged to additional paid in capital. Other DST is included under Permits, taxes and licenses in the statement of total comprehensive income.

DST paid include those borne by the borrowers amounting to P49,440 thus not recorded as expense by the Bank.

Accrued DST are included under Other liabilities in the statement of financial position.

*(ii) Withholding taxes*

Withholding taxes paid and accrued for the year ended December 31, 2024 follow:

| | Paid | Accrued | Total |
|---|---|---|---|
| Withholding taxes on compensation | 80,328,018 | 4,385,345 | 84,713,363 |
| Expanded withholding tax | 45,834,555 | 5,963,259 | 51,797,814 |
| Final tax | 107,935,045 | 13,892,426 | 121,827,471 |
| | 234,097,618 | 24,241,030 | 258,338,648 |

Accrued withholding taxes are included under Other liabilities in the statement of financial position.

*(iii) All other local and national taxes*

All other local and national taxes paid for the year ended December 31, 2024 consist of:

| | Paid | Accrued | Total |
|---|---|---|---|
| Gross receipts tax | 62,311,086 | 48,036,340 | 110,347,426 |
| Municipal tax | 1,252,415 | - | 1,252,415 |
| Custom tax | 1,749,020 | - | 1,749,020 |
| Others | 220,230 | - | 220,230 |
| | 65,532,751 | 48,036,340 | 113,569,091 |

The above local and national taxes are included as part of Permits, taxes and licenses in the statement of total comprehensive income.

Accrued other local and national taxes are included under Other liabilities in the statement of financial position.

*(iv) Tax cases and assessments*

The Bank has no outstanding cases under preliminary investigation, litigation and/or bodies with and outside the BIR in 2024.